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SOFTWARE
What top managers need to know
32-page pullout

Weekend FT

Tomorrow: The fall of Chicago's biggest gang; dealers in drugs and terrorism

Capital of Nowhere: Argentina's forgotten dream

World News

EC ministers agree tougher curbs on car exhausts

Stricter curbs on car exhausts will take effect in the 12 European Community countries from mid-1992, the EC agreed yesterday. The accord means almost all cars sold in the EC will have to have catalytic converters to cut their pollution.

Environment ministers meeting in Luxembourg decided that the tougher limits would apply to new car models from July next year and to all new cars from the end of 1992 – but exact standards have still to be set.
Page 20

Iraqi capability
Much of Iraq's nuclear and chemical weapons capability is still intact, a top Iraqi nuclear scientist has told US intelligence. Page 20

US to curb satellites
The US State Department plans to curb the export of electronic navigation systems – so threatening a growing commercial market. Page 20

Volcano threat
A second day's eruptions at Mount Pinatubo in tha Philippines sparked fears about the stability of weapons kept at a nearby US air base. Page 4

Sri Lankan massacre
Over 150 Sri Lankan civilians were hacked and beaten to death after clashes between Tamil rebels and security forces in the eastern town of Batticaloa.

Victory for Walesa
Poland's parliament failed to muster enough votes to override president Lech Walesa's veto of an election law. He had rejected the proposed law as too complicated. Page 2; Editorial comment, Page 18

TV chief attacked
Shiv Sharma, head of India's state-run TV station, was injured in a gun attack which killed his driver. Sikh militants were suspected. Gandhi assassination, Page 4

UK unemployment
Britain's unemployment rose in May for the 14th consecutive month. The 70,600 increase to 2.24m meant 7.9 per cent of the workforce was jobless. Page 7; Lex, Page 18

St Petersburg poll
Leningrad voters have opted to restore the city's pre-revolutionary name, St Petersburg. Page 2

Job for objectors
Italy's Defence Ministry is to use conscientious objectors as museum workers so state museums can stay open longer. About 12,000 young men a year refuse military service.

Business Summary

Rise in US retail sales brings hope of upturn

A 1 per cent rise in US retail sales last month and a continuing fall in new unemployment claims suggest the economy is starting to come out of its near year-long recession. However, producer prices for finished goods showed the largest rise since last October.
Page 20; Lex, Page 20

ASTRA, Sweden's largest pharmaceutical company, secured ths US Food and Drug Administration's approval for the use of its drug Losec in the short-term treatment of duodenal ulcers. The announcement is a setback for Astra's UK competitor, Glaxo, whose best-selling drug, Zantac, has 40 per cent of the world's anti-ulcer market. Astra shares closed at SKr640 ($100), up SKr9, up while Glaxo fell 21p to 1,227p. Page 21

CABLE & WIRELESS, UK-based international telecommunications group, reported a 16 per cent rise in pre-tax profits to £609m for the financial year to the end of March. Page 21; Lex, Page 20

UK GOVERNMENT'S handling of the economy was sharply criticised after news of a further large rise in unemployment and a warning from industrial leaders that the economic upturn would be delayed. Figures showed Britain's unemployment rose by 70,600 last month to 2.24m, the highest figure since June 1988. Page 7

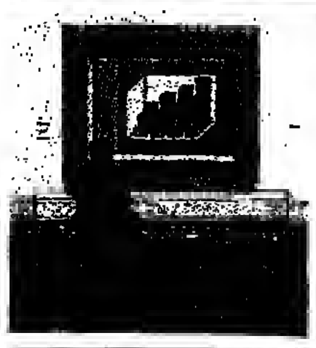
KLM, Dutch national carrier which earlier reported heavy losses in the year ended March 31, said it is to omit its dividend for 1990-91 for the first time in seven years. Page 21

NATIONAL Semiconductor, US semiconductor manufacturer, reported net earnings of $5.6m for the fourth quarter compared with earnings of $4.7m in the same period a year ago. Page 24

JAPANESE regional banks' combined pre-tax profits fell for the second consecutive year, declining 2.4 per cent to Y788.2bn ($5.5bn) for the year to March. Page 23

BRITAIN AND China have agreed a draft form of investor promotion and protection agreements for Hong Kong to negotiate with its main overseas business partners in order to shield foreign-owned businesses after the colony reverts to Chinese sovereignty in 1997. Page 4

ATHENS stock exchange council selected Femcon Associates of Boston in the US to establish a computer-assisted trading system to replace the old-fashioned open outcry method. Page 26



SOFTWARE AT WORK

Top business managers are needing to take a closer interest in new software applications in order to win competitive edge, says Alan Cane in today's issue of SOFTWARE AT WORK, the FT's 32-page review of software and services. This launch issue looks at three areas which most companies need to address: accounts, electronic mail and axecutive information systems.

Populist leader wins 60% of vote to become Russian president

Yeltsin scores historic win

By John Lloyd in Moscow

RUSSIAN LEADER Mr Boris Yeltsin scored a historic victory against the Communist party yesterday, when he won about 60 per cent of the poll in the first Russian presidential elections.

Mr Yeltsin's victory gives power in the largest Soviet republic to a former member of the Communist party's politbureau, who reneged on his communist past and pledged allegiance to democratic change and market principles.

His election will strengthen the move towards radical market reform and boost efforts to convince the west that it should help the Soviet Union's shift to a market economy.

It will also strengthen his hand in dealing with Mr Mikhail Gorbachev, tha Soviet president, who, anticipating such a result, has taken care over the past two months to distance himself from at least the conservative wing of the party he still leads. On Wednesday, he said he was ready to work with any Russian president.

After years of rivalry, Mr Gorbachev recently formed an alliance with Mr Yeltsin to work out a new union treaty which would devolve much power to the republics but still leave substantial powers with the centre.

But Mr Gorbachev will now find himself confronted with a president who, unlike him, can claim a direct democratic mandate.

Voters also gave electoral victory to Mr Gavril Popov, as mayor of Moscow, and Mr Anatoly Sobchak, as mayor of Leningrad. Success for all three radicals is a decisive defeat for the Communist party.

Mr Yeltsin did particularly well in the bigger cities, winning nearly 90 per cent of the vote in his native Sverdlovsk where he was Communist party boss, and 72 per cent in Moscow.

His closest challenger, Mr Nikolai Ryzhkov, the former prime minister, won only around 10 per cent of the vote in most cities and reached the low thirties in the countryside in spite of, or because of, strong backing from the Communist party.

Mr Yeltsin will rule over three-quarters of the Soviet land mass which contains most of the Soviet reserves of oil, gas, gold and timber, and 150m people whose standard of living is less than a third of the western European average.

Tha election turnout throughout Russia was solid, if not overwhelming, at 70 per cent, according to Mr Vasily Kazakov, chairman of the Central Election Commission. Mr Alexander Popov, the Electoral Commission spokesman, said a second round of voting was not necessary, Tass news agency reported.

Mr Vadim Bakatin, the former Interior Minister seen as the third candidate, looked unlikely to fulfil expectations thanks to a minor surge for Mr Vladimir Zhirinovsky, leader of the small Liberal Democratic Party, who ran a high profile populist campaign.

Mr Ryzhkov, widely seen as the candidate of the military and the apparatus, failed to score convincingly even in these sectors, with mixed results reported in the military districts.

He did a little better in some of the 16 Russian autonomous republics which are suspicious of Mr Yeltsin.

In Tataria, which has a strong nationalist movement, fewer than 50 per cent of the voters favoured any Russian candidate.

More than 60 per cent turned out to vote for a Tatar president, ensuring victory for the single candidate, Mr Mintimer Shaimiev, who is chairman of the Tatar Supreme Soviet.

Tataria has said it will seek the status of an independent republic under Soviet, rather than accept Russian jurisdiction.

Vote winner: Boris Yeltsin, celebrates his victory as president of Russia in Moscow yesterday. He will meet President George Bush at the White House next Thursday. The White House confirmed yesterday that Mr Yeltsin had been invited to Washington for a meeting on June 20 to discuss his new position and the future of the Russian republic.

Airbus and Boeing win orders worth $7bn

By Paul Betts, Aerospace Correspondent, in Paris

AIRBUS INDUSTRIE and Boeing yesterday announced $7bn of new orders on the opening day of the Paris Air Show, indicating thet demand for new commercial airliners remains strong in spite of the effects of recession and the Gulf war.

Airbus is expected to sign today a $4bn deal with Federal Express, the US cargo and express delivery carrier, for up to 50 new Airbus A300 cargo aircraft. It would be the largest sale ever of all-cargo aircraft by the European consortium made up of British Aerospace, Aerospatiale of France, Deutsche Aerospace and Alenia of Italy.

The contract, involving 25 firm orders and options for another 25 A300 freighters, would give Airbus an important new US customer.

It would lead to Airbus's first manufacture of all-cargo aircraft. Formerly, it has adapted passenger A300 wide-bodied airliners for freight purposes.

Boeing yesterday announced orders for 41 new aircraft worth $2.74bn from four customers – American Airlines, Lufthansa, Delta Airlines and GPA, the Southern Irish-based aircraft leasing company.

The US group is also expected to announce today a third customer for the 777 wide-bodied twin-engined airliner launched last October. Euralair, the small independent French charter operator, is expected to place firm orders for two new 777s and options for another couple.

A possible fourth customer for the 777 is also expected to be announced next week by Boeing. The customer is likely to be Thai International Airlines. So far United Airlines and All Nippon Airways have made commitments for the aircraft.

Further orders are expected to be announced by both Boeing and Airbus next week.

Mr Jean Pierson, Airbus managing director, said the consortium expected to book a total of 145 new aircraft orders this year, compared with its original estimate of 154.

He said turnover would rise by 60 per cent to $7.4bn from $4.7bn in 1990 and Airbus would again show an operating profit. Deliveries were expected to total 165 airliners compared with 95 in 1990 when production was hit by a strike at British Aerospace, a 20 per cent partner in the consortium.

Mr Pierson confirmed that Airbus was studying the devel-
Continued, Page 20

French stock exchange moves to toughen rules on takeovers

By George Graham in Paris

FRANCE'S stock exchange council moved yesterday to toughen its takeover code with a ground-breaking ruling expected to cost the Bolloré group some FFr1.7bn ($280m).

The council ruled that Bolloré, a transport and industrial group headed by Mr Vincent Bolloré, had taken control of Compagnie Financière Delmas-Vieljeux, a leading shipping group, in concert with two other companies.

According to the ruling Bolloré's partners in the deal, were Clinvest, the merchant banking arm of the Crédit Lyonnais group, and with Compagnie Privée El Rabha, a holding company.

Bolloré said yesterday that it was surprised by the decision, and announced that it would appeal.

The ruling follows the decision of Mr Tristan Vieljeux, chairman of Delmas-Vieljeux until last week, to throw in the towel after a four year battle with Mr Bolloré and to sell the 18 per cent stake he and his family held.

The stake was divided, however, between Bolloré and El Rabha, a company which used to group other Vieljeux family members but whose principal shareholder is now Clinvest.

This left Bolloré's stake at 32.3 per cent and El Rabha's at 26.9 per cent, each below the 33.33 per cent threshold at which a bid must automatically be triggered under France's takeover rules.

The stock exchange council ruled yesterday, however, that they had in concert taken control with 59.2 per cent.

As a result, the council ordered all three partners to offer to buy out the remaining minority shareholders in Delmas-Vieljeux, which could cost around FFr270m.

At the same time, however, the council demanded the sama treatment for minority shareholders in Delmas, the listed operating company which is 73 per cent controlled by Delmas-Vieljeux.

Delmas's shares are trading at FFr1,226, but the stock exchange authorities have insisted in the past on a mathematical link with the price paid for the parent company. In Delmas's case, this would lead to a price of around FFr2,000 a share and could force Bolloré and its partners to pay out another FFr1.4bn.

Bolloré Technologies, the core company in the group's complex structure, was already heavily indebted with net debt of FFr2.8bn at the end of 1990 compared with equity of FFr2.3bn. Since El Rabha is a holding company, it appears likely, therefore, that Clinvest would have to bear most of the cost.

Since the introduction of new legislation governing takeovers at the beginning of last year, the stock exchange has been feeling its way towards a jurisprudence which would clarify some of the gaps and contradictions in the law.

Until recently, however, many investment bankers had felt that the authorities were over-generous in allowing companies to get around the general obligation to launch a bid when the threshold of 33.33 per cent is crossed.

World's oldest company to end an era

By Robert Taylor in Stockholm

ONE of the longest chapters in industrial history ended yesterday as the world's oldest company announced it was quitting its original business.

Stora, the Swedish forestry company, said it was shutting its 1,000-year old mine at Falun in central Sweden, marking a sad end to a memorable part of Europe's industrial heritage. Mining for copper at Falun was first begun by peasant farmers over 1,000 years ago near the end of the Viking age.

"There is no further raw material to extract from the mine," said Stora in a statement. Some 160 workers are affected by the decision.

Stora claims to ba the world's oldest existing joint-stock company. A document dating from 1288 reveals that the mine was managed by a co-operative with shares bought and sold. In 1347 it was granted a charter by the Swedish monarchy.

By the 17th century Falun, Sweden's only industrial community, supplied two thirds of the European copper market and had become a symbol of Sweden's power in the world as it developed an empire around the Baltic.

The mine was a sight of great wonderment. In 1708, an Englishman J.F. Leopold visiting Falun wrote that he was "seized by terror even from afar" by the "dark and heavy smoke which the city ceaselessly spews forth in such quantities that the stranger is inclined to believe that he has come to the cave of the Cyclops rather than to a city".

Stora became one of the world's biggest forest products companies, having acquired vast forest holdings to provide wood for the mine. By 1870 it was the largest company in Sweden, under the 40-year management of Mr Erik Johan Ljungberg. After his death in 1915, Marcus Wallenberg, from the then mainly banking family, became chairman. It is now a jewel in the crown of the Wallenberg empire.

The mine will cut its current annual ore production of about 100,000 tons by half on April 1 1992 before the complete end to mining seven months later.

It added that Kemira Kemi, a Finnish company, had offered to take over the sulphuric acid plant's deliveries and markets.

Sweden comes in from the cold, Page 19

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Sweden bids for membership of the European family

When Ingvar Carlsson, the Swedish prime minister, journeys to The Hague next month to apply for EC membership, he will signal that Stockholm is ready to abandon its traditional isolation from western Europe
Page 19

MARKETS

STERLING
New York lunchtime:
$1.6355
London:
$1.638 (1.6455)
DM2.945 (2.9475)
FFr9.9875 (9.9975)
SFr2.5175 (2.52)
Y231.5 (233.5)
£ index 90.1 (90.3)

GOLD
New York: Comex Aug
$373.0 (373.9)
London:
$369.35 (371.25)

N SEA OIL (Argus)
Brent Aug
$18.375 (+0.025)

Chief price changes yesterday: Page 23

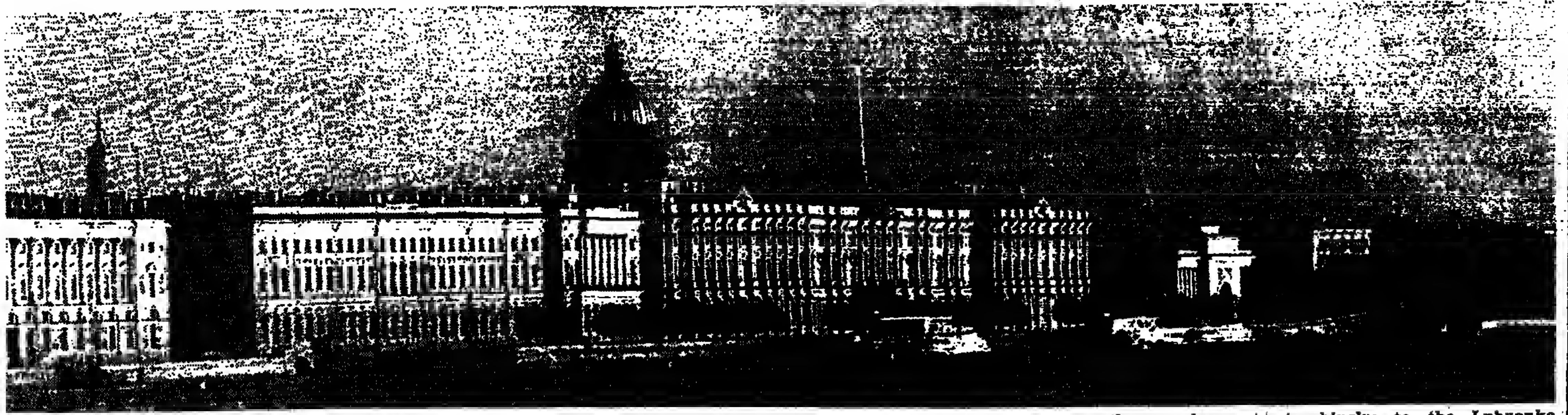
DOLLAR
New York lunchtime:
DM1.7975
FFr6.099
SFr1.5368
Y141.215
London:
DM1.798 (1.792)
FFr6.0975 (6.075)
SFr1.5375 (1.532)
Y141.35 (141.9)
$ index 68.2 (68)
Tokyo close: Y141.75

US LUNCHTIME RATES
Fed Funds 5 11/16 %
3-mo Treasury Bills:
yield: 5.733% 5.
Long Bond:
95 3/8
yield: 8.549%

STOCK INDICES
FT-SE 100:
2,514.6 (−5.6)
FT Ordinary:
1,970.8 (−2.5)
FT-A All-Share:
1,208.74 (−0.2%)
New York close:
DJ Ind. Av.
2,961.09 (−0.9)
S&P Comp
377.01 (+0.36)
Tokyo: Nikkei
24,808.17 (+325.48)

LONDON MONEY
3-month interbank:
11 1/8 % (11 3/32)
Liffe long gilt future:
Sep 90 3/32 (89 15/32)

Tsar Peter the Great's city throws out Lenin to win back its original name



THE vote nf around 55 per cent to change the name of Leningrad to St Petersburg was the most symbolic, but most surprising, of the clean sweep fnr tbe radicals yesterday, John Lloyd reports from Moscow.

Many observers had thnught that tbe strong campaign by the Communist Party, and the wartime memories of its resistance to the German attack, would ensure it kept a name it had had since 1924.

Instead, its citizens are calling fnr it to revert not just to the pre-revnlutinnary name of Petrograd, but to the pre First World War name of St Petersburg - changed during the war because of anti-German sentiment.

It joins other Soviet cities - as Gorky, Zagorsk and Ordzhonikidze, all nf which bave reverted to pre-revolntinnary names. Within the cities themselves, statues of Lenin have been pulled down and street and sqare and metro station names changed wholesale - though in many casea the decisinns tn change the name have not yet been reflected in the street signs.

In Moscow itself, the most significant name change was felt to be that of Dzerzhinskaya Square, named after the founder nf the KGB (Cheka), Felix Dzerzbinsky to the Lnbyanka Square. Hnwever, even that change still leaves a name with sinister associations - and the statue of Iron Felix still stares dnwn Marx Prospect - which, has been renamed (nfficially) Ulitsa Mokhnvaya.

Gorbachev to visit London for G7 talks

By Emma Tucker

MR MIKHAIL Gorbachev, tbe Soviet leader, will visit London next mnnth for talks with Group nf 7 western leaders, Mr John Major, the prime minister, announced yesterday.

Mr Majnr told the Commons he had sent an invitation to Mr Gorbachev for the talks after consultatinns with the otber members of the group, the US, Japan, Germany, France, Canada and Italy. Mr Gorbachev will stay on in London after the meeting for bilateral discusslnns with Mr Major.

Mr Gorbachev will arrive on the morning of July 17 - the day the summit ends - and will have a working meeting and lunch with the seven leaders. The Soviet leader will not, bowever, attend the G7 meeting itself.

The British Prime Minister said be had received a message from Mr Gorbachev on Wednesday reaffirming his commitment to polilical and economic reform, failing which tbe Soviet Union can hardly expecl to obtain the economic and financial aid it is seeking.

Some members of the G7, sucb as Germany, strongly support more Western financial aid for tbe Soviet Union, but otbers, such as the US, Japan and Britain, have been noticeably less enthusiastic.

Mr Douglas Hurd, the British Foreign Secretary, has stressed that Mr Gorbachev will not be able to count on an automatic flow of large sums of money from the western industrialised countries.

However, the G7 leaders and Mr Gorbachev will have a first opportunity to discuss a rescue plan for the Soviet economy worked out by a joint Soviet-US team of economists, providing for western aid of \$20bn-\$35bn (£12bn-£20bn) a year.

The plan ls divided into twn phases, during which western aid would be made available only if steady progress was made by the Soviets towards both economic and political reform. The plan has yet to be approved by President George Bush and Mr Gorbachev.

Bundesbank dispute ends in Byzantine deal

By David Marsh in Bonn

A COMPLEX political dispute over reforming the decision-making structure of the German Bundesbank is oearing a predictably Byzantine end. Under a compromise accord yesterday, Mr Hans-Jürgen Knebnick, maynr nf Saarbrücken, will get take over with an eight year contract as president of the Saarland central bank, one of tbe Bundesbank's 11 regional entities.

Next month, Mr Theo Waigel, the Finance Minister, will propose legislation aimed at lowering to 10 the number ol regional central banks making up the Bundesbank in united Germany. Since the small Saar central bank will almost certainly be abolished, Mr Koebnick within a few months is likely to be out of a job - but will not be short of cash. He will benefit from pensioo rights on the lion's share of his new DM350,000 (£118,243) a year earnings.

Tbe row over restructuring the Bundesbank, pitting Bundesbank president Karl Otto Pöhl's against Land (state) governments has underlined the intractlbility nf Germany's highly federalised system. Opponents nf Mr Pöbl's streamlining proposals have dredged up 21 year old secret dncuments to suppnrt tbeir case that trimming the central bank's apparatus counters federal traditions.

Letter bomb kills official in Berlin

By David Marsh

A LEADING Berlin government official closely connected with land sales was found murdered yesterday, apparently tbe victim of a political killing.

Mr Hanno Klein, who was responsible for the controversial sale of land in the centre of the city to Daimler-Benz, the engineering and aerospace conglomerate, was killed by e letter bomb. Mr Klein, wbo worked closely with the government Treuhand agency handling sales of former East German state industrial assets and land, apparently died wben be opened the bulky letter at hnme in west Berlin ou Wednesday evening.

Tbe episode is bound to revive worries about the terrorist threat to officials and *executives working to restructure* tbe east German economy.

Mr Detlev Rnhwedder, the bead of the Treuhand, was killed by terrorists in April.

● Mr Alexander Bessmertnykh, the Soviet Foreign Minister, admitted yesterday that the Snviet army still had nnclear weapons stockpiled nn east German territory.

This contradicted an assurance given in April by the Soviet anthorities to Mr Gerhard Stoltenberg, the German Defence Minister, that Soviet nnclear arms had been withdrawn from east Germany.

Polish parliament fails to block poll law veto

MR LECH WALESA, the Polish president, won an important political victory yesterday, after parliament failed to overrule his veto of an election law which he said was too complicated and would lead to unstable governments, reports Christopber Bobinski in Warsaw.

The rejected draft election law, already approved by Sejm and Senate, could delay parliamentary elections scbeduled for October. Poland is the only country in eastern Europe which has not held fully free and democratic elections.

The Sejm (lower house) *voted 257-123 to override* the veto, seven votes short of the 264 needed for a two-thirds majority.

Mr Walesa had warned deputies in a latter that he was determined to block the bill. "The adoption of a clear and unambiguous election law is needed..."

Parliament's constitutional committee later voted to accept most of his suggestions which are anchored in a proportional representation system. However, *candidates will have* to obtain between 6 and 12 per cent of the vote to enter parliament, depending on the number of seats in a constituency. This means that the electoral chances of candidates standing independently will be significantly weakened.

The committee also agreed to make voting easier for Poles abroad, but refused to lift the ban on political activity on Catholic church property. The committee decided to extend the *ban* to *property* belonging to all religious cults. Parliament is likely to accept most of Mr Walesa's suggestions.

Those who voted to overturn Mr Walesa's veto nevertheless made a plea that the electoral rules be approved as soon as possible in order to stick to an October date. For this to happen, an election law will have to be in place by June 27. Parliamentary committees yesterday started work on a new draft.

If elections are delayed this is likely to increase pressure by the Solidarity trade union on Mr Leszek Balcerowicz, the deputy prime minister and finance minister, to ease his tough anti-inflationary policy.

An election campaign will anyway rob the government of valuable time in its efforts to end the recession.

Walesa tries to damp down the flames

Economic pressures threaten an explosion in Poland, writes **Christopher Bobinski**

PRESIDENT Lech Walesa's threat to by-pass parliament and manage the economy by decree *indicates* that *Poland's* economic reform programme is facing its most crucial test.

As industrial sales continue to fall, and Poles are still awaiting the benefits of the anti-inflationary sqneeze on incomes, Mr Walesa is facing growing pressure from his own supporters to modify the government's economic policies.

That programme, implemented in January last year, was to have brought inflation down to a single monthly figure by the end of last year. Bul that has since been revised to the end of this year - much longer than the population had been warned to expect.

The government's poor showing in the opinion polls reflects growing disillusionment *with* its economic policies, which have led to calls from within tbe Solidarity establishment for reflationary moves.

Seventy per cent of respondents in last month's opiniou poll thought their jobs were at risk and doubted they would find other employment.

Unemployment at the end of May stood at 1.4m or 7.7 per cent, lower than the economic situation would warrant. Generous redundancy provisions, *and the wage control system* introduced this year, has meant that, more often that not, it is cheaper to keep staff on et half or even quarter pay than to made them redundant. Plants like the FSO car factory in Warsaw, for example, have created a "labour reserve" who are paid around half the average monthly wage. Others are paying less.

The Labour Ministry reckons that were it not for these schemes, whicb are in effect alleviating the burden on the budget, the unemployment figure would be 1m higher.

Enterprises continue to func*tion because they are not pay*ing their bills, or are still delivering goods on credit to insolvent cnstomere, tbus creating a vast cushion of interest free debt.

Continuing weak domestic demand, falling export revenues and the sudden collapse of sales to the Soviet Union following the switch to hard currency pricing bave all deepened the recession. State sector company profit margins have fallen from more than 30 per cent last year to under 10 per cent this.

All tbesa factors have prompted fears that Mr Wal*esa's supporters and Solidarity,* which is now a fragmented movement, could face defeat in elections which may be held in the autumn.

Mr Walesa is beginning to draw together the rival Solidarity groupings in what he hopes will once more be a successful electoral coalition. But, at the same time, he is under preseure to reflate, particularly from the 2.7m-strong Solidarity trade union. Most of its members in the state sector industries are teetering nn the brink of bankruptcy.

There is also pressure for the resignation of Mr Leszek Balcerowicz, the depoty prime minister in charge of the economy, wbo is determined to stick to his tight monetary programme. For the moment, the president is standing by his minister. Mr Walesa believes that no one has come up with a better programme, and that in any case "every expert, both in the east and west, says it's the right one."

It is the growing labour unrest which worried Mr Walesa. Earlier this week, he spoke about using "all the means at his disposal" in the face of the threat of anarchy, should unrest spill on to the streets.

"I shall *do* everything to preserve democracy but if I am forced to, I shall reach for other means," he told a meeting of 12 Solidarity union leaders. "My dilemma is whether to rule by decree above the law or within the limits of the law."

Government officials recognise that only a change in the general economic situation will significantly alleviate the problem. This conclusion is shared by Mr Jaroslaw Kaczynski, leader of the Centre Agreement party, a post-Solidarity christian democrat, and head of Mr Walesa's presidential office.

He and his twin brotber Lech (responsible for security and defence in Mr Walesa's office), wbo make up one of Poland's canniest political *teams, are desperately* anxious to see an improvement in the economy.

They are worried that the prospect of the imminent collapse of the state sector means that their group - and any other party with its origins in the Solidarity movement - could lose in the elections.

They see one of the main threats emerging from among the populists, symbolised by Mr Stanislaw Tyminski, the Polish-Canadian businessman *who pusbed Mr Tadeusz Mazo*wiecki, the former prime minister, out of the presidential election last autumn.

The Solidarity establishment is also concerned about the former communist party, and its allies. The polls show 43 per cent of people saying they were better off two years ago, just before the communists lost power. Thus, Mr Walesa is under pressure to change economic strategy to counter these trends. It may turn out to be a hot political summer.

Walesa is being pressed by the Solidarity establishment to reflate economy

Decision today on giving Eurocrats a new home

BELGIUM and tha European Commission are expected to decide today to build a new, expanded beadquarters for the EC executive, David Gardner reports from Luxembourg. It will go up on the site of the Cnmmission's present bome, the Berlaymont, soon to be evacuated because of the large amount of asbestos in its construction.

The design contract is being contested principally by four architectural firms, with Norman Foster Associates of the UK fractinnally ahead in Belgium's preferencee, officials say. The other contenders are Ricardo Bnfill, the Catalan architect, Aldo Rossi of Italy, and the Frenchman Jean Nouvelle.

The building will bouse 6,000-8,000 officials – against 3,300 Eurocrats in the Berlaymont. Three other Commission buildings are to be constructed, in addition tothe 42 the executive already occupies in Brussels, to permit a projected rise in Commission staff from 14,000 to 23,000 by the year 2000, even before any expansion of the EC is taken into account.

Belgium will bear most of the cost. Berlaymont S.A., 70 per cent owned by the government with three 10 per cent stakes beld by Citicorp and two Belgian eavings banks, expects to pay BFr15bn(£245m)-BFr20bn for the main building. The Commission will finance the three other new offices by long-term lease contracts.

Desplte its \$200bn public debt, Belgium must also finance a foreseeably hefty overapend on the European Council complex being put up in front of the Berlaymont, and a BFr12bn tunnel to both complexes. But first, Berlaymont S.A. must dismantle the existing Gommisslon HQ. The amount of asbestos in the building means it will take a year to demolish.

Czechs hang 'for sale' sign on 50 of republic's key companies

By Anthony Rnbinson, East Europe Editor

FOREIGN investors were yesterday offered the chance to buy total or partial control of 50 leading Czech enterprises singled out as prime candidates for privatisation through foreign investment.

Mr Jan Vrba, the Czecb industry minister, made the announcement at the London headquarters of the republic's privatisatioo advisers, Bankers Trusl International. This unprecedented aclion, he said, reflected the importance republic attached to revitalising its under-capitalised and technologically backward enterprises through sale to foreign companies offering capital, know-how and e long-term commitment to integrating their Czech operations into world markets.

The identity of the first 50 companies involved in the first wave of "large privatisations" will be released next month. In annual turnover terms they range from \$50m to \$500m and extend through engineering, chemicals, building materials, paper, printing, textiles, electronics and metal processing.

Several have already been effectively privatised through foreign investment. They include the Skoda car company in which Volkswagen has taken an eventual 70 per cent stake, and Sklounion, the largest Czech glass company in which the Japanese-controlled Glaverbel of Belgium is also taking an eventual majority stake. In both cases the equity investment is relatively small compared with the long-term commitment to invest in new plant and npen new markets.

Until now the Czech Republic, which accounts for more than 70 per cent of Czechoslovakia's total gross domestic product, has received around \$500m in direct foreign investment. The total is projected to rise to \$1.5bn this year, and to \$3bn by the end of 1992.

More than 3,000 shops and small businesses have also been privatised through anctions, and both tbe Czech and Slovak governments are preparing a complex "vonchar" scheme for citizens to acquire a stake in newly privatised companies, including those in which they work.

The Czechoslovak currency, the koruna, has been internally convertible since January 1 and foreign investors are allowed full repatriation of profits in hard currency. Enterprises with more than 30 per cent fnreign ownership pay a reduced 40 per cent flat rate profits tax, compared to 55 per cent for companies with less than 30 per cent foreign ownership.

In some circumstances investors can obtain a two-year tax holiday, and there are no restrictions on laying off surplus workers. "We estimate that most companies have around 30 per cent surplus labour and the government, not tha enterprise, is responsible for the social effects of unemployment," said Mr Vrba. "This has already risen from practically zero to 260,000 and could double to between 7 to 8 per cent by the end of the year."

The koruna has stabilised at around Kcs28 to the dollar after several devaluations in 1990. Currency convertibility was included as part of Czechoslovakia's economic stabilisation policy, introduced with backing from the International Monetary Fund on January 1. Inflation dropped from an artificial high of 26 per cent in January to 2 per cent in April. The January figure reflected the phasing out of most consumer subsidies and virtually eliminated the accumulation of previously repressed inflation. Inflation will have risen again in May, as the last subsidies on consumer energy prices were eliminated, but it is expected to drop to European Community levels by the end of the year.

Stabilisation has been accompanied by an estimated 15 per cent drop in real incomes over the first half of the year. The fact that this has not been accompanied by strikes or social unrest is due largely to an agreement between government, unions and employers at the start of the year.

The three sides agreed on the need for a 10 per cent drop in real incomes to facilitate stabilisation. In practice, monetary and fiscal policy has been tighter than demanded by the IMF, while the collapse of Comecon trade has further depressed output and exports.

Turkey changes rules on foreign borrowing

By John Murray Brown

TURKEY HAS changed the rules on foreign borrowing for state and private companies in an attempt to streamline the country's debt policy.

A Treasury directive last week required state enterprises and municipal governments to nbtain permission for foreign loans; now private companies have been issued with a "moral instruction" to consult the Treasury before taking foreign credits.

"We want companies entering the market in an orderly manner," said Mr Muret Kudat, Treasury director-general.

Although a far cry from the credit controls of the early 1980s, the moves represent a significant dilutinn of earlier liberalisation policies and underline the country's current economic crisis.

Turkey will have to find \$7.2bn this year just to repay principal and interest on outstanding debt of \$49bn, according to official balance of payments projections. With Turkey returning to short-term borrowing for the first time since the Gulf crisis began last August, officials are concerned that pent-up private sector demand for credit could crowd out the government's needs.

Economists also suspect a political motive, with the governing Motherland party keen to curb foreign borrowing by opposition municipalities, ahead of a general election which must be called before autumn next year. Last week, the social democrats who control Ankara launched a bond issue in Japan.

The new borrowing rules also come at a time of growing bank interest in Turkish risk. Since the end of the war in February, there have been 13 deals worth a total of \$1.5bn.

Banks are attracted by the high yields. The biggest deal is a \$150m one-year loan for the Turkish Grain Board. Tbe credit, which has full government guarantees and is being arranged by a four-bank syndicate including Commerzbank and Sanwa, carries interest of London inter-bank offered rate plus 65 basis points.

Dublin attacked

Opposltlon politicians in Ireland have accused the government of indulging in "blatant" politics by announcing the movement of nearly 2,000 civil service jobs from Dublin to provincial centres shortly before local elections are to be held, Kieran Cooke reports from Dublin. The government of Mr Charles Haughey is being criticised for spending cuts whicb critics say have meant deteriorating standards in public services.

Romania protest

Thousands of Romanian responded to opposition calls for three days of demonstrations to mark the anniversary of a violent crackdown by vigilante miners against an anti-government protest movement, Reuter reports from Bucharest.

Yesterday between 4,000 and 5,000 people shouted anti-government slogans in Bucharest's University Square, where a year ago police cleared out with considerable violence protesters who had occupied it for seven weeks to demand President Ion Iliescu's resignation.

Paris backs sport

The French government, anxious to contain clasbes between police and unemployed youtbs, announced plans yesterday to build 1,000 sports grounds in working-class snburbs over 18 months, Reuter reports from Paris. Half will be completed this year in a bid to beat urban violence.

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AMERICAN NEWS

Bush attack on Congress falls flat

By Peter Riddell, US Editor, in Washington

PRESIDENT Bush's attempt to deflect criticism of his domestic agenda onto alleged congressional inaction has got off to a stuttering start.

A 25-minute speech to a invited group of 1,000 businessmen, community leaders and legislators on the South Lawn of the White House on Wednesday evening was intended to start an offensive against the Democratic-controlled Congress, setting a theme for his re-election campaign next year.

Not only did the speech fall somewhat flat in front of the immediate audience, but it was not covered live by the television networks and given less coverage in the late night and early morning bulletins than tha triumph of the Chicago Bulls in the basketball championships.

Yet the Democrats have appeared to lack a coherent political approach, and lack any prominent candidates for the 1992 election.

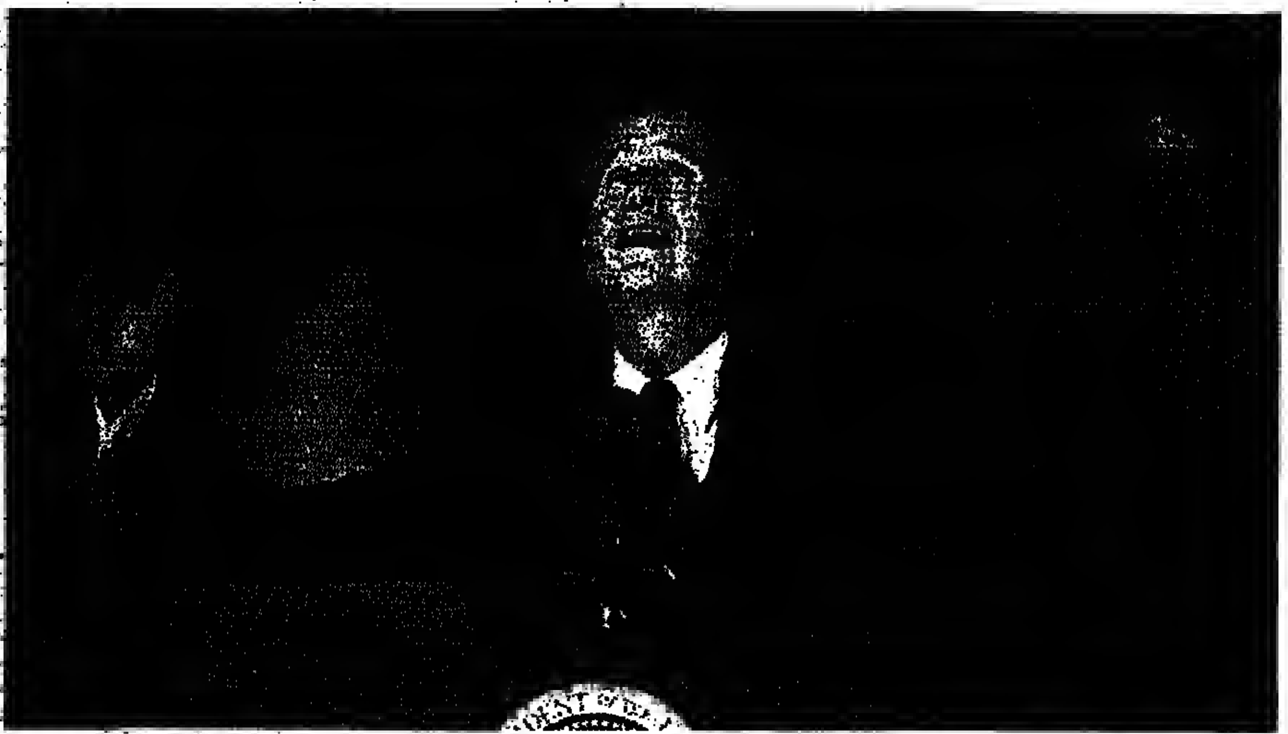
While characteristically avoiding a strongly-worded attack on the Democrats, Mr Bush mildly questioned why Congress had failed to enact highway and crime legislation.

In his March 6 address to Congress after the end of the Gnlf war, the president had challenged members to pass these two laws within 100 days, which are now up. He said he was disappointed but not surprised and argued that the American people did not understand "the complications, the inaction, the bickering."

The Democrats had sought to head off this criticism by launching a pre-emptive strike. Congressman Richard Gephardt, the House majority leader, had argued that Mr Bush preferred "rhatoric to action, symbols to substance, vetoes to progress, and campaigning to governing".

These exchanges anticipate the 1992 campaign, when Mr Bush will be stressing his foreign policy record, notably the Gulf war and the end of the Culd War, his opposition to racial quotas, and his strong stand on crime.

He believes he has a better domestic record than that with which he is widely credited. But his opinion poll rating on this issue is substantially lower than on his foreign policy performance and ha will seek to shift the blame onto the allegedly obstructive and high-spanding approach of Democrats in Congress.



Bush enthuses as a Marine Corps band plays 'Happy Birthday' at the White House before his speech yesterday

Playing ball with displaced US workers

Barbara Durr reports on the domestic cost to the US of foreign competition for jobs

AT a bright, modern plant, equipped with the latest machinery, 1,600 workers nimbly stitch together surgical garments for Baxter International, tha big Illinois-based hospital supply company. But the plant is not in Illinois, it is in Juarez, Mexico, operating under the "maquiladora" programma, which allows duty-free entry of US components for assembly and re-export.

Whether the plant has taken jobs from the US, and whether the workers who used to stitch those garments hava found better jobs, are live issues.

Negotiations in Toronto this week towards the North American Free Trade Agreement (NAFTA), involving the US, Canada and Mexico, have quickened a long-running US debate on the government's responsibility to workers displaced by foreign trade.

The effects of the FTA are axpected to be felt most severely in the heavily industrialised Midwest and the textile belt of the Southeast.

To overcome labour's opposition and win a congressional green light to nagotiate the accord, President George Bush was forced to pledge to consider a programme for retraining displaced workers.

But some, such as Senator Donald Riegle of Michigan, are vowing to hold the president's feet to the fire on this issue. Mr Riegle has introduced a resolution that would allow Congress to amend the trade pact with regard to labour matters.

The legislators' distrust comes from having watched Mr Bush, and Mr Reagan before him, gut the funding from the trade adjustment assistance programmes.

The Bush administration's budget for fiscal year 1992, for example, proposes the elimination of the Trade Adjustment Assistance Act, which provides training for workers dislocated by foreign competition. And while the administration agreed last year to provide assistance to workers displaced by the Clean Air Act and the shrinkage of the defence industry, no funds have yet been disbursed. Moreover, the Bush administration's FTA worker relief plan may require proof that job losses are a direct result of the pact.

Whether or not foreign competition was the cause, some 2m manufacturing jobs heve been lost in the US in the last decade and estimates vary wildly on job losses and gains from the future FTA.

Using a Peat Marwick econometric model, the US Council of the Mexico-US Business Committee, a corporate group favouring the pact, assertad that there would be a net US job gain of 61,000 over 10 years. But that number is statistically insignificant, according to the Economic Policy Institute in Washington. It says that by uaing slightly different assumptions, estimates of job losses rise to 550,000 over the same period.

Mr Mark Anderson of the AFL-CIO, the main US union umbrella organisation, contenda: "Experience showa in the last decade that the majority of workers that moved from manufacturing to the service sector moved down the payscale."

To avoid political damage in the run-up to next year's election, Mr Bush may have to be careful as he nagotiates the deal. He will not want to be charged with selling out American workers.

New Canadian political and economic framework urged

By Bernard Simon in Toronto

A GROUP of 22 prominent Canadians, representing a cross-section of views, has proposed a new political and economic framework for the country whicb would in many respects follow the model of the European Community.

The group, whose members are drawn from both the private and public sectors, has suggested that community services, such as health, welfare and education, should become the sole responsibility of the 10 provinces. But it urges that the federal government in Ottawa be given wider powers over fiscal and monetary policy, and tha regulation of securities markets.

Soma of the suggestions, such as the dismantling of pervasive inter-provincial trade barriers, have already been raised by Mr Brian Mulroney, the prime minister, and other cabinet ministers as a likely part of the government's proposals for constitutional reform.

Ottawa is due to publish its detailed proposals this autumn.

The initial thrust for a new political and economic framework for Canada arose from demands by an increasingly nationalistic Quebec for a new relationship with the rest of the country. But the exercise has subsequently been broadened to include issues of concern to the English-speaking regions.

Ironically, just as the debate over constitutional reform is heating up, aeparatist sentiment in Qnebec is showing signs of abating.

The "Group of 22" includes two former provincial premiers, former cabinet ministers, civil servants, prominent academics and two leading businessmen, Mr Paul Desmarais, cbairman of Montreal-based Power Corporation, and Mr Harrison McCain, wbose family controls the McCain food empire.

The group proposes that while the provinces would gain greater control over the C$28bn ($24.4bn) annually transferred to them by Ottawa for social and community services, they would be subject to more stringent monitoring of their economic policies. For instance, they would commit themselves to "a mandatory and independent review" of their fiscal policies and plans.

The Bank of Canada would be restructured along similar lines to the German Bundesbank. It would be subject to statutory inflation goals, and the provinces would name at least three-quarters of its board members, on condition that they were not politicians or civil servants.

Latin America most dangerous for unions

LATIN America continues to be the world's most dangerous region for trade unionists, according to the Brussels-based International Confederation of Free Trade Unions. In Colombia alone, 138 labour activists were murdered during the 15 months to the end of March, William Dullforce reports.

Worldwide during the period, 264 people were killed for activities to promote workers' interests, the ICFTU said in its annual report to tbe International Labour Office on abuses of union rights.

Tha report cites 72 countries and lists 2,422 instances of detention and arrest. Last year the ICFTU cited 91 countries, reporting 250 killings and 13,000 cases of detention.

Torture, intimidation and death threats were still part of everyday life for many workers' representatives. Nevertheless, the ICFTU found "cause for continned encouragement".

For the first time, Chile and Poland have been excluded. Positive steps were seen in Sonth Africa, althougb tbe ICFTU said sanctions should be maintained until these steps had become irreversible.

In Africa, trade unions formerly tied to one-party systems were asserting their independence. Bnt Sontb Africa, Sudan and Ivory Coast still ranked among the most unsafe places for workers' representatives.

In China "blanket repression" was in place. Many independent trade unionists remained imprisoned without charge or had been "incorporated into the penal slave labour force".

In western Enrope, Denmark, Greece, the Netherlands and Malta were cited for restricting union rights. The UK was denounced for legislation passed last year which "added to the major violations of basic trade union rights introdnced in successive employment acts since 1980".

Tha Brussels-based ICFTU, which links 144 trade union bodies in 101 countries, published the report in Geneva, where a delegation headed by its general secretary, Mr John Vanderveken, is attending the annual conference of the International Labour Organisation.

Free-trade zone ordered by Menem

By John Barham in Buenos Airea

PRESIDENT Carlos Menem of Argentina has ordered the creation of a free trade zone close to Buenos Aires. In a surprise statement on Wednesday evening, be told the Economy Ministry to draw up and implement within 60 days a plan to open a free trade zone around the port of La Plata, 50 kilometres from the capital.

An Economy Ministry official said: "The proposal is perfectly serious. The idea is to create a pole of reactivation and growth around La Plata. The model will probably be the zones in south China, where companies import, manufacture, and re-export without paying any tariffs or taxes."

Argentina already has a free trade zone in tbe island of Tierra del Fuego, 3,000km from Buenos Aires, where many consumer electronics assembly plants are located.

However, thanks to powerful lobbying, they have managed to maintain a degree of protection, despite the government's commitment to liberalisation.

Britain and China agree Hong Kong investment accord

By John Elliott in Hong Kong

BRITAIN AND China bave agreed a draft form of investor promotion and protection agreemeots for Hong Kong to negotiate with its main overseas business partners such as Japan, the US, and varlous European countries, in order to shield foreign-owned businesses after the colony reverts to Chinese sovereignty in 1997.

This marks a slight relaxation in the tense relatioos betweeo the two countries over Hong Kong. It emerged yesterday from a three-day meeting in Hong Kong of the Sino-British Joint Liaisoo Group which is preparing for the 1997 handover.

However, Chinese officials have made it clear that they will not agree to more controversial matters such as a proposed court of final appeal and development of defence lands until the UK comes to terms with China's demands for a higb degrea of control over Hong Kong's planned HK$100bn (£7.5bo) airport and other government decisions in the run-up to 1997.

Mr Tony Galsworthy, leader of the Britisb oegotiators in the liaisoo group, said yesterday that the investment agreemeot was a "good step forward", but he would not characterise it as a "significant shift" in China'a approach.

No important issue has been resolved in the liaison group for two years since China's Tiaoanmen Square crisis soured relations. But it appears that China decided to make a gesture following a visit two months ago to Beijing by Mr Douglas Hurd, British foreign secretary, who complained that the relationship was "stagnating".

The investment agreements will cover four areas: equal treatmeot for foreign and local investors; restrictions on expropriatioo of assets; rights to remova invested funds in convertible currencies; and indepeodent arbitration arrangements.

The general impasse over Hong Kong is to be reviewed by Mr John Major, the British prime minister, with Sir David Wilson, Hong Kong's governor, who flies to Londoo at the end of oext week. By theo Mr Robin McLaren, Britain's new ambassador to Beijing, will have reported on high-level soundings he has been taking since he arrived in the Chinese capital last week.

China is using the airport project to establish a right to a virtual veto on government decisions whose impact straddles the 1997 handover. This could include matters such as airport and other long term construction contracts, financial loans, franchises with telecommunications, electricity aod other operators, and important policy changes.

Senior Chinese officials say that the UK must start showing "proper respect" for their demands. In this week's talks they pushed their claim that they have a right under the 1984 Sino-British joint declaration on the 1997 handover to be "consulted through to solntions" on the issues which straddle 1997. They have also hinted that they would like a joint commission set up to do the job.

The UK and Hong Kong have agreed to consultations and said they will take China'a views into account. But they have refused to concede a right of virtual veto, arguing that it could make Hong Kong ungovernable and would harm its free enterprise character.

Australian metal sector 'can suspend strikers'

By Emilia Tagaza in Canberra

THE AUSTRALIAN Industrial Relations Commission yesterday granted metal industry employers the right to suspend workers involved in rolling stoppages, industrial bans and slowdowns, in a decision that may force back to work some 250,000 metalworkers who went on strike yesterday.

The Metal Trades Industry Associatioo (MTIA) had applied for the right to suspend workers following lightning strikes and rolling stoppages in factories over the past three weeks.

The MTIA had reqnested that the suspension right be effective for three years but the Industrial Relations Commission granted only a three-month period.

The scattered lightning strikes led to yesterday's national strike by metalworkers, who are claiming a pay rise of A$12 (£5.50) a week and prodoctivity pay rises.

The workers from around 2,500 metal manufacturing companies were joined hy mineworkers in the Western Australian iron ore industry and electrical trades workers from the Victorian public sector, who were also making similar claims.

Mr Bert Evans, chief executive of the Metal Trades Industry Association, said yesterday'a strike would lead to lost production of some A$60m. He said the actions ignored the implications of the recession.

"It proves the unions have learnt nothing from their failures in the 1960s and 1970s. During that time there was no investment in our indnstry and if we go back to that sort of industrial relations, investment will dry np again."

Police in the Indian state of Bihar beat a man during a polling station disturbance in the town of Khudha Ganj yesterday

POLICE QUESTION TWO OVER GANDHI ASSASSINATION

THE INDIAN police team investigating the assassinatioo of Rajiv Gandhi has arrested two people with alleged links to the Tamil Tiger guerrilla group of Sri Lanka, which has been accused of carrying out the killing last month in the state of Tamil Nadu, K K Sharma writes.

Police say they have started qnestioning a nurse and her son in Madras after arresting them on Wednesday on a charge of sheltering the assassin, who has been identified as a Sri Lankan Tamil woman named Thanu. The son, S. Bhagyanathan, runs a printing press in Madras that undertook printing work for the Tamil Tigers. The assassin, who blew herself up with the explosives that killed Mr Gandhi, allegedly atayed in the Bhagyanathan house for nearly three mooths before.

Sikh militants, meanwhile, yesterday injured Mr Shiv Sharma, director-general of Doordarshan, the government-owned national television network, after shooting at his car in a busy street in New Delhi. Mr Sharma's driver was killed.

● Sri Lankan troops massacred more than 150 Tamil civilians in the east of the country yesterday after three soldiers died in a land mine explosion blamed on Tamil rebels, AP reports from Colombo.

Unease over US weapons near volcano

By Greg Hutchinson in Manila

FEARS grew yesterday about tha stability of sophisticated weapons systems stored at a key DS air base threatened by a Philippine volcano, which erupted again in deadly bnt spectacular mushroom clouds of hot stones, ash and gases.

Senator Leticia Ramos-Shahani, who chairs the Philippines senate foreign relations committee, said the US shonld tell Filipinos whether it stored nuclear weapons at Clark Air Base to ease disquiet that the exploding Mount Pinatubo could create a nuclear accident. Washington's policy is neither to confirm nor deny the presence of nuclear weapons at any of its facilities around the world.

A US embassy spokesman, withont being drawn on whether nuclear weapons were preaant at Clark, said the exploding volcano posed no threat to the weapons systems at the base, 80km north of Manila and less than 20km east of Mount Pinatubo.

Colonel Avelino Abiol, a senior officer in the Philippine command at the base, said he did not believe nuclear weapons were stored there. "Personally, I really believe there are no warheads here."

The Philippines is close to agreement with the US on extending the American military presence in the country until the end of this century, but the volcano could complicate the negotiations.

Senator Ramos-Shahani said the exploding volcano may devalne Clark as a US asset. This could mean tha Americans may be unwilling to pay the Filipinos' price for the use of Clark and may opt to remain only at Subic Naval Station, a more crucial base as it includes a port, a runway and underground facilities regarded as more suitable for storage of nuclear weapons.

Subic, twice the distance from the volcano as Clark, has been affected only by ash from Mount Pinatubo because it is in tha path of the prevailing westerly wind. But it is not subject to the threat of the serious affects that are possible for Clark.

Aquino eases rules on foreign investment

PHILIPPINE President Corazon Aquino yesterday signed a law giving foreigners the right to whole ownership of exporting and other enterprises defined as strategic for the economy, Greg Hntchinson writes.

Separately, she vowed to veto a law passed by both bouses of Congress limiting foreign debt repayments, a measure Mrs Aquino said "would force us to selectively repudiate our foreign loans".

She spoke at the signing of a two-year extension of a $3bn (£1.7bn) commercial bank trade facility, which she called "a categorical statement" of support from tha country's foreign creditors.

The president said the Philippine economy fared better than expected during the first quarter, when it registered positive growth compared with the earlier forecast of a downturn. "The government's commitment to economic stabilisation has also produced positive results in the form of a narrower government deficit, lower interest rates, decreasing inflationary pressures and an improved balance of payments position," she said.

Two years in the making, the Foreign Investment Act is markedly more liberal than its predecessor, and it will be particularly so during the first three years of the new law's life when, with few restrictions, an open season exists for overseas capital.

Outsida the three-year period, an enterprise exporting at least 60 per cent of what it produces (or imports in the case of tourists to a hotel) can be 100 per cent foreign-owned. The real test, says Congressman Margarito Teves, will be whether the law will be backed np by political stability and rejuvenation of infrastructure.

Setback for Bush effort to ease aid to Pakistan

By Lionel Barber in Washington

THE Bush administration's efforts to improve relations with Pakistan have suffered a setback after the House of Representatives voted overwhelmingly to continue restrictions on US economic and military aid.

The House voted 252-151 to preserve strict conditions on US aid because of concern over Pakistan's nuclear programme. Last year, the US suspended $560m (£324m) in annual military and economic aid to Islamabad because of its suspected attempt to build a nuclear bomb.

The House vote coincided with a visit to Washington by Mr Wasim Sajjad, chairman of the Pakistani Senate, who has held talks with senior administration officials including Mr James Baker, secretary of state.

US officials have recently raised concerns not just about Pakistan's nuclear programme but also its attempt to acquire medium-range ballistic missiles from China.

These reports – coupled with Democratic party sympathisers of Ms Benazir Bhutto, the ousted Pakistani prime minister – influenced the House vote on Wednesday night. However, President George Bush is still pressing to weaken congressional amendments which limit his discretion to restore aid to Pakistan, which in the 1980s served as a vital conduit for US aid to the Afghan rebels.

David Housego adds from New Delhi: India is coming under strong pressure to agree to talks on nuclear non-proliferation in south Asia.

The government has dismissed a Pakistani proposal made this week for a meeting between the US, the Soviet Union, China, India and Pakistan to discuss the possibility of a nuclear-free zone in South Asia as a "propaganda exercise".

The proposal was made in a speech by Mr Nawaz Sharif, the Pakistani prime minister, and has been followed up by the delegation in Washington.

Diplomats in New Delhi believe, however, that the Indian position is more flexible than the rebuttal of the Pakistan proposal suggests. An editorial in the Times of India also said that India should not allow itself to be isolated at a time when pressures to curb nuclear weapons are growing around the world.

The Indian rejection of the proposed five-nation meeting was intended to scuttle Pakistan's hopes of securing a resumption of aid from the US.

India also fears that regional talks would not cover Chinese long-range missiles deployed against the Soviet Union – but which at short notice could be re-targeted against India.

Pressure on India to agree to talks on curbing nuclear weapons has increased with recent moves such as France agreeing to sign the nuclear non-proliferation treaty, moves in the same direction by North Korea, and Mr Bush'a proposals for Middle East arms control.

Israel unsure over Bush line

By Hugh Carnegy in Jerusalem

ISRAELI officials were uneasy yesterday at a suggestion by President George Bush that he would tie US government loan guarantees, sought by Israel to help cope with Soviet Jewish immigration, to a freeze on Jewish settlements in the occupied territories.

The Israeli government is seeking extra assistance from the US over the next five years worth about $10bn, mainly in the form of loan guarantees. The money is needed to help finance the big influx of immigration, but the governmeot of Mr Yitzhak Shamir is anxious to avoid paying a political price for the aid.

The Foreign Ministry said it had received no official notification from Washington that Mr Bush's remarks, to a group of American Orthodox Jewish leaders last week, represented administration policy.

Mr Shamir's immediate response was to assert that settlement building, which Mr James Baker, the US secretary of state, has called the biggest obstacle to his efforts to arrange a Middle East peace conference, would continue. He said be did not believe the US would curtail aid to Israel.

Mr Baker yesterday met Mr David Levy, Israal's foreign minister, in Washington to explain his government's rejection last week of US proposals to convene an Arab-Israeli peace conference.

Japan wholesale prices up 0.6%

By Stefan Wagstyl in Tokyo

JAPANESE wholesale prices rose 0.6 per cent last month compared with the same month last year, the Bank of Japan said yesterday. The evidence of continuing npward pressure on prices in the report gives the central bank little reason to relax its current tight grip on monetary policy.

Import prices fell 7.8 per cent, due to a decline in oil and energy prices in the wake of the end of the Gulf crisis. But domestic prices rose 2.1 per ceot, because of the sustained pressure on companies of rising labour and distribution costs. A Bank of Japan official said there was little sign that the domestic pressurea on prices were easing significantly.

Soweto children pay price of school revolts

Patti Waldmeir reports on the impact on the black education system of the fight against apartheid

FROM the road, the school looks deserted, a blackened shell. Pimville Higher Primary in Soweto is just one of thousands vandalised in the mid-1980s, when almost every township school in South Africa was damaged or destroyed by children protesting against apartheid.

The revolt over segregated education, launched 15 years ago on Sunday by the children of Soweto, probably did more to bring about the eod of apartheid than any other form of political protest.

But it has left a daunting legacy, both physical and social: many school buildings are in shocking disrepair, without windows, electricity, doors, desks, working toilets. More than R1bn (£210m) has been earmarked by the government and business to repair the pbysical fabric of township education. But money cannot buy a culture of learning: many students still see schools as symbols of the rscist state; they attack them in order to attack apartheid.

"Our children do not see the use of learning," says the demoralised headmaster of one Sowato secoodary school, pleading to remain nameless for fear of reprisals from the white education authorities. "The little education they got at primary school has been wlped out here," he adds, pointing to classrooms where shreds of insulation hang from the ceiling; where empty light sockets demonstrate the abseoce of electricity; where there are no windows to keep out the deep chill of the Transvaal winter.

The school has a science laborstory, a woodworking shop, a domestic science centre, even a library. Bnt the laboratory has no chemicals, no equipment, just a few dusty tables and basins, and a tattered old anatomical chart on tha wall. The library has a faded notice, "Do not steal library books", bnt no lock on the door.

The Department of Education and Training, the bureaucracy which handles black education, has promised to rebuild tha school, thrown up as a collection of temporary structures in 1974. But it won't say when, and ignores the headmaster's pleas for urgency. Until the new school is built, even an educational charity, READ, will not aupply mnch-needed textbooks: they cannot be stored safely.

The risk is that the new school, too, could become the object of political vandalism. A school built by the white authorities without community consultation is likely to be viewed, as in the past, as a symbol of an alien power rsther than a piece of valuable community property. "We must convince pupils that the schools belong to them, they were paid for with their parents' taxes," says Lily, of the Soweto Education Crisis Committee. But she concedes that overcoming the alienation fostered by apartheid will not be easy or quick.

Across Soweto, in the sparkling new premises of Pimville Secondary School, there seems at least a hope that this can be achieved. Student union leaders have successfully persuaded their members to protect the school (recently rebuilt by the Education Department), not vandalise it.

Union leader Monty Sekhukhuni clearly has his eye on tbe post-apartheid Sonth Africa, arguing that school buildings should be preserved and examinationa written "because our future country needs people who are trained".

But even here, the matriculation pass rate was only 30 per ceut last year, in line with the appalling Soweto avarage, largely because teachers were in dispute with the Education Department for most of the year. This year's results, it is boped, will be better.

However, the "lost generation" of children who fought for "liberation before education", could yet prove to be apartheid's most cruel legacy.

KEY MEETING ON RETURN TO THE OLYMPIC GAMES

SOUTH AFRICA'S return to the international sporting community and its participation in the 1992 Barcelona Olympiad will depend on a meeting next month between national sports officials and representatives of the International Olympic Committee (IOC), Paul Cheeseright, Midlands Correspondent, reports.

The meeting will take stock of the progress made in Sonth Africa on dismantling apartheid and unifying sports organisations on a oonracial basis, Mr Keba Mbaye, a Senegalese jodge who is a vice-president of the IOC, said in Birmingham yesterday.

He is the chairman of a special commission set np to work for the elimination of apartheid in sport. Ha was speaking after delivering a progress report on its work to the 97th session of the IOC. The commission will hold its talks with South Africa's Interim National Olympic Committee (Inoc). The South Africans will have little difficulty in persuading the commission that apartheid has been abolished: the main legislation to that effect ahould have been passed by the South African parliament.

But unification of sporting bodies may prove a more difficult issue. Mr Mbaye noted that 25 national bodies had applied for affiliation to the Inoc and that only five needed to be unlted on a oon-racial basis to comply with the Dlympic Charter. "At the moment the figure is zero."

Mr Mbaya stressed that the IOC'a stand on ending the 20 years of South Africa's ostracism from the Olympic movement would be infiueoced by events, not by a timetable.

Tough Kenyan budget aims to cut deficit

By Julian Ozanne in Nairobi

PROFESSOR George Saitoti, Kenya's vice-president and finance minister, presented a budget yesterday aimed at stabilising the economy and sharply reducing a large budget deficit. The move came after a depressed year marked by adverse external factors and inadequate government control on the economy.

Prof Saitoti also announced the country's first significant reform of its unwieldy and inefficient public sector with the privatisation or restructuring of tha 250 companies in which the govarnment has shareholdings.

The focus on the budget deficit reflects a recognition of tbe severe economic effects of the government's inability to control the fiscal situation.

The deficit was targeted last year at 3.5 per cent of gross domestic product but instead grew to 5.3 per cent. Prof Saitoti said this was the result of lesser than expected aid flows, higher expenditure, the fioancial difficulties of parastatal corporations and lower revenue collection.

The govarnment's recourse to incraaaed domeatic borrowing squeezed out private investment, caused interest rates to rise and contributed to an increase in inflation to 12.6 per cent against a target of 7 per cent.

Prof Saitoti'a pledged to slash the deficit this year to 2 par cent of GDP. Tighter control of expenditure, a ban on new public sector projects unless they are donor financed, and more effective collection of a broader tax base are part of the government's strategy to bring the fiscal imbalance under control.

The government'a decision to restructure "strategic" parastatals and privatise or liquidate those deemed as non-atrategic marka a fundamental shift in policy.

Prof Saitoti said the economy grew at 4.5 per cent last year compared to 5 per cent in 1989. The total value of exports rose 19.1 per cent reflecting growth in earnings from tea and horticulture products. The debt service ratio decreased from 32.1 per cent of exports in 1989 to 28.3 per cent.

Hassan pardons Polisario rebels

KING Hassan of Morocco has pardoned all members and supporters of the Polisario Front guerrilla mnvement before a Dnited Nations peace initiative to end a civil war fought in the Western Sahara since 1975, AP reports from Rabat.

The king said the measure would extend to Polisario supporters living abroad, as well as those jailed in Morocco.

There was no immediate word on how many prisoners might be freed in terms of the king's decree. The king said the measure also applied to guerrilla supporters abroad, meaning that Polisario backers living at refugee camps in Algeria would be free to return to their homes in the Western Sahara.

Last month, King Hassan affirmed that his government would honour the results of a UN referendum expected to be held in early 1992.

Nigerian surplus put at $2.1bn

By William Keeling in Lagos

NIGERIA recorded a balance of payments aurplus of $2.1bn (£1.2bn) last year, the second consecutive year that a surplus has been made.

According to the Central Bank of Nigeria 1990 annual report published this week, the government's structural adjustment policy has brought inflation down to 7.5 per cent and led to a growth in gross domestic product of more than 5 per cent last year.

But the optimism of tha report is tempered by the fact that Nigeria enjoyed a windfall in 1990 from higher oil export earnings as a reault of the Gulf crisis: oil sector exports amounted to $13.2bn, compared to $7.5bn in 1989.

The economy remained dependent on oil, with the sector accounting for 97 per cent of the value of total exports and 82 per cent of total government revenue.

The report states that agricultural production rose by 4.4 per cent and manufacturing output by 7.2 per cent, but manufacturing capacity use was well below 50 per cent.

While the government used higher oil-earnings to build up the Central Bank's foreign assets, which stood at $3.9bn at the end of the year, it exhibited weak control over both domestic debt and money supply.

The government'a domestic debt rose by 47 per cent last year to 84bn nairas (£5.37bn) and M1 money stock increased by 45 per cent, as against a target of 13 per cent. Government expenditure, excluding debt service payments, was $8.8bn and it recorded an overall fiscal deficit of 23bn nairas, equivalent to 10 per cent of gross national product.

The biggest constraint on the economy remained Nigeria's external debt which the central bank estimated at $33bn by the close of the year, although external lending institutions put it at $35bn. According to the report, external debt increased by 22 per cent between 1988 and 1990.

WORLD TRADE NEWS

James Robinson: eliminate border control bureaucracy

Tourism chiefs urge end to travel barriers

By William Dullforce in Geneva

PRIVATE businessmen are back in Geneva lobbying for a successful conclusion to the Uruguay Round of international trade talks.

This week the World Travel and Tourism Council (WTTC), a coalition of 31 chief executives from leading travel companies, called for an agreement on services that would eliminate barriers to the free movement of travellers.

Separately, the Foreign Trade Association (FTA), grouping big European retailers, pressed for a much swifter liberalisatioo of trade in textiles and clothing than that envisaged in the existing draft proposal.

The Brussels-based WTTC coalition reminded negotiators that the travel and tourist industry was an economic powerhouse with an annual gross output in 1989 of $2,450bn (£1,416.1bn), which included $1,232bn in purchases of services and goods from other industries.

Mr James Robinson, WTTC chairman and chief executive of American Express, said the coalition was particularly anxious to see progress made in eliminating outdated bureaucratic controls at borders, currency exchange restrictions and other constraints on free travel.

WTTC's chief executives include Sir Colin Marshall of British Airways, Mr Robert Crandall of American Airlines, Mr Robert Burns of Regent International Hotels, Mr Wolfgang Momberger of Steigenberger Hotels and Mr Paul Dubrule of Accor International.

Mr Geoffrey Lipman, WTTC president, handed to Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), a report prepared by Wharton Econometric Forecasting Associates, which estimated that travel and tourism, growing at an annual rate of 8.7 per cent, would generate more than $3,000bn in gross output in 1992, making it the world's biggest industry on virtually any economic measure.

Wharton defines travel and tourism as including all hotels and other lodgings, most passenger transport services, a portion of restaurants and some recreational and cultural services.

Between 1987 and 1989 employment in travel and tourism grew more than twice as fast as in the services industry as a whole and was particularly effective in providing opportunities for "entry level" workers, minoritias and women. When a traveller spent $1, Wharton found, the industry spent 50 cents in buying goods and services from other industries, creating a "multiplier" effect in the economy.

These findings were highly relevant at a time when governments were seeking ways of stimulating sluggish economies, Mr Lipman said. Growth in the industry could be further stimulated by liberalisation. "We see a time window (between now and the end of the year) and want to throw our weight behind completing the Round."

WTTC urges governments to start tabling offers of liberalisation on the assumption that a framework agreement on services will emerge from the Round.

Airline chief executives are members of the coalition and aviation has been a sector proposed for exclusion from a services agreement.

Mr Lipman said: "If aviation can be brought in, so much the better. But we do not want liberalisation of travel and tourism to be jeopardised over aviation."

European retailers belonging to the FTA, however, urged negotiators to incorporate the whole services sector into a new world trading system with no exceptions for air and sea transport and telecommunications.

Trade in textiles and clothing should be liberalised under an automatic schedule and not in stages, allowing pauses for deliberation, which could indefinitely delay the process.

Importers wanted the process completed by the end of 1999. Clothing should be liberalised right from the beginning instead of following yarns and fibres as currently planned.

Collor faces tough US reception

By Christina Lamb

WHEN Brazil's President Fernando Collor first planned next week's official visit to Washington he expected to arrive in a blaze of glory, praised for his opening up of the Brazilian economy.

Instead he is likely to touch down on Monday to a strained reception clouded by continuing trade disputes.

Brazilian officials are upbeat about the trip, pointing out that the problem of their debt arrears has been resolved, their new economy minister is well regarded in Washington, and President Collor has good personal relations with President Bush.

But the main outstanding sticking points between the two sides are delays to legislation on two issues which President Collor had promised to speedily resolve – information technology and pharmaceutical patents. In particular, US officials promise "hell to pay" for the suspension last month of a decision to allow joint ventures in the informatics area.

It is now a year since the US dropped a Super 301 investigation and lifted sanctions against Brazilian exports in response to Brazilian promises to begin recognising pharmaceutical patents. After long delays the government has produced satisfactory legislation to recognise pharmaceutical patents and to open up the highly protected information technology area. Bnt both bills have been blocked in the Brazilian Congress.

In the latter case the government had to agree to a delay to the approval of joint ventures to prevent Congress voting to extend the market reserve preventing the import of information technology prodnced in Brazil from 1992 to 1994.

Three joint ventures all involving US companies are already well under way and the US has threatened punitive action if the delayed approval meeting later this month is put off again.

The Congressional delays are not surprising given President Collor's lack of a political support but US officials blame the situation on a lack of government willpower.

The pharmaceutical patents legislation which is on its third draft could drag on at least another year after the government agreed in a deal with Congress to withdraw a requirement which had meant it must be voted within 45 days in each chamber.

There are concerns too about content. There is still a controversial compulsory licensing clause allowing Brazilians to manufacture anything seen to be in the public interest.

Until patent legislation is passed, Brazil will remain on the priority watch list and next week will see some tough talking to try and speed up the process of bringing Brazil in line with international norms.

Caribbean textile producers searching for a sympathetic ear

Smaller countries fear for the future of their industries once the Multi-Fibre Arrangement expires, Canute James writes

TEXTILE and apparel producers in the developing world have been unable to find common ground on oew rules to govern international trade when the Multi-Fibre Arrangement (MFA) expires at the end of next month.

The producers, mainly in Asia, Central America and the Caribbean, are divided on several other issues, including the leogth of extension to be sought for the MFA, and the pace of integration into new, less protectionist marketing arrangements of different categories of products while the trade is being deregulated.

The division bas split the membership of the Interoational Textiles and Clothing Bureau (ITCB), which groops 22 developing country producers. The smaller members fear that current proposals on the MFA and on integratioo will benefit the larger exporters and could irreparably damage some industries.

The industry in tbe US, fearful of damage from a flood of imports, is supporting the position of the smaller producers in the Third World, and is arguing for more moderste pace to the proposed changes.

The MFA covers just over half tbe world's textile and apparel trade through bilateral agreements between exporters and importers. Under the MFA, its 40 member countries bilaterally negotiate quotas on imports of textiles and apparel. Major importers, such as the US and the European Community, have availed themselves of the MFA, which first came into effect in 1974.

The arrangement has given some smaller producers an opportunity to develop and expand their indnstries through preferential and guaranteed access to some markets.

Now the smaller producers in Asia, Central America and tbe Caribbean are claiming that the ITCB's negotiating position on the Uruguay Round, if accepted, will be damaging. The smaller exporters are seeking a 29-month extension of the MFA, against a 17-month extension which the larger ITCB members want. There is also division within the ITCB over the pace of the integration of some categories of textiles into the General Agreement on Tariffs and Trade (Gatt).

The larger producers want integration within a year, while the smaller members are seeking a 10-year period.

"We have expressed reservations about the ITCB's proposals," said Mr Peter King, Caribbean Co-ordinator of the Central American and Caribbean Textile and Apparel Council, and chairman of the Garment and Textile Commission of the Caribbean Common Market.

"Tbese proposals will give producers snch as China and India virtually unbridled growth and the industries of Central America and the Caribbean, and of the US, will be engulfed by a tidal wave from these low cost, high volume producers."

The apparel industry in Central America and the Caribbean has benefitted from bilateral agreements with the US, and last year earned $1.8bn (£1.04bn) from exports, 12 per cent more than 1989 earnings. The leading regional producers are the Dominican Republic, Costa Rica, Haiti, Jamaica and Honduras.

Mr King said Hong Kong, Korea and Taiwan, which had earlier dominated the textile industry, did so with the help of the MFA. The position of the smaller producers should not be taken as a stand against the liberalisation of international trade, he said.

"That is what the Uruguay Round is abont, but this cannot be at the expense of flattening or reducing the industries of the smaller producers." Mr King claimed that the ITCB position demonstrated an "apparent ignorance" of the potential damage to the Caribbean and US industries.

Not surprisingly, the industry in the US, which has benefitted from bilaterals with Central American and Caribbean producers, and which is fearful of its ability to remain competitive when the international trade in textiles and apparel is liberalised, has found common cause with the smaller ITCB members.

Mr Carlos Moore, executive vice-president of the American Textile Manufacturers Institnte, said the position adopted in the ITCB's negotiating position was a very serious threat to the textile, apparel and fibre industry in the US.

"One reason is that there will be accelerated growth for products under qnota during growth could double the import potential over 10 years. Another concern is prodnct integration. This will create havoc as producers will not know if their product has been selected for decontrol."

Mr Moore said there was a danger of dislocation in the US industry if the current negotiating position of the ITCB were accepted and implemented.

Government officials from several Caribbean countries deny that there is a split within the ITCB on these issues, claiming there are only "disagreements" which can be resolved. They also deny that smaller producers in the region and in Asia are asking for continuing protection and preferential treatment form the bilateral treaties which are possible under the MFA.

"What we are seeking is a guarantee of a more orderly, progressive change which will allow us to acclimatise our industries to the changes which we agree must be made the trade," said one official in the Industry and Commerce Ministry of the Dominican Republic.

"We simply need more time and a more sympathetic ear from the international community, or else our industries will be overwhelmed and wiped out."

HONG KONG is referring an anti-dumping order made by the US last September against manufacturers of man-made fibre sweaters to the committee on anti-dumping practices of Gatt, writes Angus Foster in Hong Kong.

This is the first time Hong Kong has taken such action against the US. The trade department said the government viewed the US order as unfair and liable to set a precedent for other industries.

The committee is now obliged to meet within 30 days to review the matter. If no solution is reached, either side can ask the committee to set up a panel to investigate further.

The anti-dumping order imposed a 5.86 per cent duty on Hong Kong sweater manufacturers, a move Hong Kong described as "pure protectionism" by the US. Manufacturers in Taiwan and South Korea were also singled out.

Oil ship deal for German yard

By Karen Fossli in Oslo

BREMER Vulkan, the German shipyard, has won a NKr3bn (£260.5m) contract from Golar-Nor Offshore, a wholly owned subsidiary of Norway's Nordenfjeldske Dampskibsselskap (NFDS), the shipowner, to build a second-generation crude oil production testing ship (PTS).

The final price may rise depending on currency fluctuations and final specifications.

NFDS said it would be making an equity issue in connection with the contract, in the range of NKr500 to Nkr700m. Separately, the shipowner announced that Golar-Nor had won a contract, potentially worth NKr1.8bn, to deploy from December the "Petrojarl I", a PTS, in the UK North Sea Angus field.

Lithuania foreign capital scheme nears completion

By Enrique Tessieri, recently in Vilnius

THE government of Lithuania is hoping this month to finalise a large-scale investment programme aimed at generating greater foreign capital to the independent-minded republic, and resolving the issue of "nationalising" Moscow-run companies.

Dr Edmundas Kackus, the deputy director of Lithuania's office for foreign relations, said foreign investment could play an important role in helping the republic gain control of Moscow-run enterprises based in Lithuania.

The investment programme includes 15 projects ranging from environmental protection and energy to oil projects connected to the Mazeikiai refinery, the oil terminal at the port of Klaipeda.

Mr Kackus believed the biggest obstacle to foreign investment was the continuing tense political tension between the republic and Moscow.

But he stressed that Lithuania was not planning to automatically declare these All-Union (Moscow-run) enterprises its property, but negotiate with Moscow on an agreement.

Since the end of May, Lithnanian enterprises had recorded 147 foreign partners which include 41 from Germany, 29 from Poland, 22 from the US and 8 from the UK. This list takes into account only those companies which were re-registered under new Lithuanian foreign investment laws.

US and Soviet Union plan supersonic business jet

GULFSTREAM Aerospace of the US and Sukhoi Design Bureau of the Soviet Union announced yesterday the signing of a memorandum of understanding to develop, build and market the first supersonic business jet for the late 1990s, agencies report from Paris.

Three prototypes are to be built. Models of the aircraft were unveiled at the Paris Air Show.

The jet, capable of flying business executives over 5,000 nautical miles at more than twice the speed of sound, will be powered by engines developed by Rolls-Royce and Lyulka of the Soviet Union. The first flight is expected to be made around 1995

Despite the worldwide recession, Gulfstream said it was confident of a large market for the plane.

The Soviet Union has already said it will take 20 when it is certificated.

Mr. Alan Paulson, Gulfstream's chief executive, said the main customers would be governments and large corporations.

The jet, designed to seat eight to 12 passengers, will sell for about £80m – twice the price of the most expensive subsonic business aircraft.

Construction of the airframe by Sukhoi will start shortly. Gulfstream will be responsible for the avionics and final assembly.

Studies are being carried out into ways of reducing the sonic boom for use over land.

UK NEWS

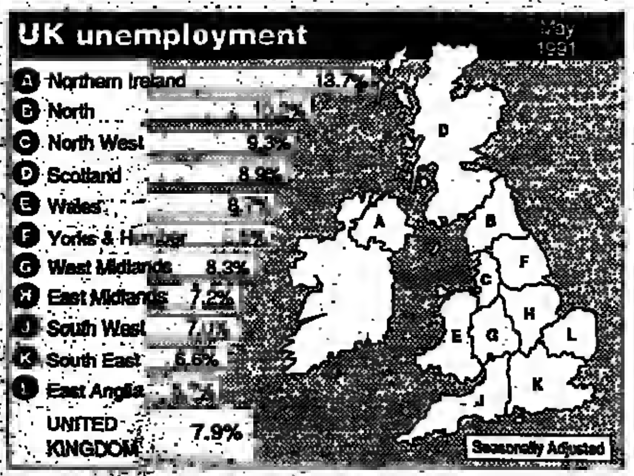
Tory policy attacked as unemployment rises

By Peter Marsh, Rachel Johnson and Alison Smith

THE government's handling of the economy came in for sharp criticism yesterday after news of a further large rise in unemployment and a warning from industrial leaders that the economic upturn would be delayed.

Department of Employment figures published yesterday showed Britain's unemployment rose by 70,600 last month to 2.24m, the highest figure since June 1988.

The increase was smaller than expected and marked the lowest monthly rise since January, but it sparked fresh attacks from the opposition Labour party which called for an immediate cut in bank base rates.



The 14th consecutive monthly rise in seasonally adjusted unemployment also coincided with a warning from the Confederation of British Industry (CBI), the employers' organisation, that the rising jobless total will depress consumer spending, delaying the start of an economic upturn until the end of the year at the earliest.

The CBI, reporting on its latest survey of the distributive trades, said high street sales had slumped back to the low levels of early 1991. It said the government had been over-optimistic about predicting a consumer-led recovery this summer.

As pressure increased on the government to act to revive the economy, speculation mounted that it might cut base rates, now at 11½ per cent, within a week, after publication of figures today expected to show a big fall in retail-price inflation. The rate of rise in the retail prices index, 6.2 per cent in April, is expected to have dropped below 6 per cent last month.

The unemployment figures led to angry exchanges in the House of Commons, as Mr Neil Kinnock, the opposition Labour leader, blamed rising unemployment on government policies. He claimed the concept of "Majorism" was defined by rising unemployment and recession.

Figures, meanwhile, from the Department of Employment show the annual rise in average earnings has eased to 8¾ per cent in April, from 9 per cent in March. April was the fourth consecutive month to have seen a fall in the figure, which stood at 9¾ per cent in December 1990.

The earnings slowdown was especially marked in the service sector, which accounts for about 60 per cent of UK output and where pay increased by 8½ per cent in April.

Mr Michael Howard, employment secretary, said the figures provided "unmistakeable evidence that the battle against inflation is being won".

Government satisfaction at the figures was, however, depressed by the results of the CBI survey, which found scant evidence of a consumer-led upturn.

Mr Nigel Whittaker, chairman of the CBI panel in charge of the survey, said: "The risk of unemployment has now taken over from high interest rates as the main factor denting consumer confidence".

Retail sales volumes were bumping along the bottom again in May, after two volatile months. The sudden increase in Value Added Tax in the budget, poor weather and pressure to lower prices in the face of slack demand had all reduced profit margins.

Retailers had detected glimmers of light in the past two months only as a result of the budget's distortions of sales volumes in March and April, the CBI said.

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BRITAIN IN BRIEF

Brooke fails to find talks chairman

A chairman for talks on Northern Ireland's future has yet to be found, even though the first stage of discussions is supposed to start on Monday, Mr Peter Brooke, Northern Ireland secretary, has confirmed.

Mr Brooke is to meet Mr Gerry Collins, Irish foreign minister, as part of the intensive search for a candidate acceptable to all sides – and willing to take on the job.

If a chairman cannot be found in time, Monday's talks between Northern Ireland' four main constitutional parties could be in jeopardy unless the nationalist Social Democratic and Labour Party was convinced an announcement was imminent.

House of Fraser farms out credit

The House of Fraser, owner of Harrods and other UK department stores, is to farm out its credit card operations to GE Capital, a subsidiary of General Electric of the US.

GE Capital Retailer Financial Services will take over the management and financing of the House of Fraser account card loan portfolio which has 1.1m customers and 62 stores. House of Fraser will pay GE Capital a fee, but financial terms of the deal, which is initially for 15 years, have not been disclosed.

Mr George Willoughby, House of Fraser deputy chairman, said the arrangement would enable his group to focus exclusively on its retail activities.

Reform for local care

The government has set up an advisory group to identify the "key steps which need to be taken between now and 1993" to implement the reform of community care.

It will consist of senior staff from the Department of Health, local authority social service departments and health authorities. The government will also, from September, require its social services inspectorate and regional health authorities to produce six-monthly reports on progress towards implementing the new policy.

The planned reforms are intended to encourage elderly and handicapped people to be supported in the community rather than in institutions.

Railways get more money

British Rail is to be given an extra £185m in subsidy to compensate it for operating loss-making rail services in the current financial year.

The subsidy, called the public service obligation grant, has been added to the £559m allocated last year because the recession has worsened the losses foreseen at the time that figure was set.

Sir Alec Guinness, the actor, above, and Mary Robinson, the President of Ireland, have received honorary degrees from Cambridge University in a 400-year-old ceremony. They were among nine "graduands" honoured by the Duke of Edinburgh, chancellor of the university, who also conferred degrees on German Jewish writer Stefan Heym; Professor Paul Erdos, a distinguished Hungarian mathematician, and the Freoch physicist Pierre Gilles de Gennes.

Woman jailed in trigger case

Ms Jeanine Speckman, export manager for Euromac in Thames Ditton, Surrey, has been jailed for 18 months for her part in a plot to export to Iraq electrical cepacitors which could be used as triggers for nuclear bombs.

Ms Speckman and Mr Ali Daghir, the company's managing director, were found guilty at the Old Bailey on Wednesday of conspiracy to export illegally 40 capacitors between September 1988 and March last year. Mr Daghir was jailed for five years.

Judge Neil Denison said Ms Speckman, of Addlestone, Surrey, had been "a relnctant

Jeanine Speckman

conspirator" but had continned to be involved even when she knew exporting those capacitors was forbidden without a licence.

Fewer Japanese visit Britain

The number of Japanese visitors to Britain have continued to fall four months after the Gulf war ended, according to figures released by All Nippon Airways, the Japanese carrier.

Passenger numbers on Tokyo-London services of Japan's biggest airline were 23 per cent down in May compared with last year, said Keisuke inui, ANA's senior executive vice-president.

Exchange puts deficit at £5.1m

The London Stock Exchange reported a deficit of £5.1m for the year to 24 March as its spending on technical development doubled to £16.5m.

With lacklustre stock markets for much of the year and a fall-off of the number of companies seeking to raise cepital, the exchange was left struggling throughout the year to contain its costs.

Its operating costs rose by £2m to £183m, while spending on developing the paperless settlement system, Taurus, and other developments took the total to just under £200m.

Stockbroker fined £75,000

A stockbroker has been fined £75,000 and barred for life in one of the severest disciplinary actions yet taken by one of the City's self-regulating organisations.

Mr Gerald Westcott Morse, formerly of Manchester stockbrokers Charlton Seal Schaverien, was found to have dishonestly misappropriated £53,566 belonging to one of his clients to get himself ont of his own financial difficulties.

Road traffic volume falls

Recession brought a 3 per cent fall in road traffic in the first quarter of 1991, according to figures published by the Transport Department. The number of lorry-miles driven was 8 per cent lower than the year before.

Olympic deal

Procter & Gamble, the detergents and household cleaning goods manufacturer, is giving the British Olympic Association a minimum £250,000 to help defray the costs of sending a team to the 1992 Barcelona Olympic Games.

Government opposes Brussels plan for regulating satellite TV

By Raymond Snoddy

THE British Government has come out firmly against European Commission plans for a directive regulating technical standards for satellite television.

Mr John Redwood, the Department of Trade and Industry minister responsible for telecommunications, believes the plans could jeopardise the growth of the satellite television market and impose unnecessary costs on consumers.

At the beginning of this month Mr Filippo Maria Pandolfi, the technology commissioner outlined proposals for a directive on high definition television – the move to introduce wider screens and sharper pictures.

Mr Pandolfi said the Commission would not force "existing services" to give up current standards such as PAL in favour of the preferred high definition norm, known as D2-MAC.

Manufacturers of large TV sets, however, would have to be fitted with D2-MAC decoders from the beginning of 1993.

Mr Redmond said yesterday the interest of the consumer had to come first.

"It will not be well served by compulsory phasing-out of transmission in the PAL standard currently used by the majority of satellite channels," Mr Redmond said. "I see no merit in the Commission's proposal that all new channels must use D2-MAC and depress the market for satellite television." He also insisted he could not accept the idea that TV sets should be compulsorily fitted with D2-MAC decoders.

Asked if the UK would ultimately veto such a directive if it is brought forward by the Commission, he said: "I will take whatever steps are necessary and feasible."

Manufacturers such as Philips of the Netherlands and Thomson of France are heavily committed to D2-MAC as an intermediate step on the way to high definition television. One motive in trying to develop a new European standard to try to keep out non-European rivals, particularly the Japanese.

"I don't think it would be wise to cut off Europe from the well-springs of innovation from abroad. I think the European consumer would be impoverished as a result," he said.

The government welcomes voluntary agreements reached between broadcasters, manufacturers and satellite operators to encourage the development of wide screen television channels.

Mr Redmond, however, said: "I urge Vice-President Pandolfi to think very carefully about his plans for a directive. He is in danger of alienating broadcasters and imposing unnecessary costs on consumers."

The market should essentially be allowed to decide between the existing rival satellite technologies.

European technology should be mobilised in support of the next stage – the development of digital television. There the goal should be a single world standard, the DTI minister added.

Six executives quit insurance company

By David Waller

ALLIED Dunbar, the UK's largest unit-linked life insurance company, is losing six executive directors after taking pre-emptive action in part designed to prevent its senior executives from leaving to join a rival life company to be set up by Sir Mark Weinberg, Allied'e former chairman.

Six out of 20 executive directors at Allied Dunbar – senior executives one rung below main board level – are leaving the company this week after being offered new "take-it-or leave-it" contracts. This follows the recent departure of two main board directors, Mr Lawrence Churchill and Mr Ladislaw Suchopar.

The service contracts have been offered to a total of over 60 senior executives. They increase the amount of notice the executives must give should they wish to quit the company, from one month at present to up to a year in future. In return for signing the contracts the executives have been offered a one-off bonus of up to 50 per cent of their salaries.

Rival life companies described the offer of new service contracts as aggressive tactics in an increasingly competitive market. They are designed in part to stop senior people from leaving Allied to join Sumner Wilson, a fledgling life company which is being set up by Mr Mike Wilson and Mr Keith Carby, respectively the former chief executive and sales director of Allied.

They left Allied, a subsidiary of BAT Industries, in October last year at the same time as Sir Mark resigned his post as non-executive chairman. Sir Mark is providing the financial backing for their new venture, which is likely to focus on life products for high net worth individuals, although for legal reasons no formal announcement has been made as yet.

Mr Sandy Leach, Allied's managing director and deputy-chairman, said the new contracts were offered in order to "secure certainty and commitment".

Major underlines British commitment to Europe

By Philip Stephens, Political Editor

MR John Major, the prime minister, signalled his determination yesterday to keep Britain in the mainstream of Europe as his cabinet colleagues sought to publicly isolate Tory backbench critics of further integration.

Some ministers, however, confessed to concern that Mrs Margaret Thatcher, the former prime minister, might re-open the battle with a re-statement of her own opposition to a single European currency.

After two days of confusion and recriminations among Tory MPs, Mr Major told the House of Commons that it was in Britain's national interest that the present negotiations on economic and monetary union reached a conclusion "that enables the whole of the Community to go forward together".

His comments came as Mr Douglas Hurd, the foreign secretary, dismissed criticism from some of the right of the Tory party that the government was contemplating the wholesale transfer of power to Brussels.

In an untypically sharp remark which was taken at Westminster as a direct rebuke to Mr Nicholas Ridley, the former trade and industry secretary, he commented: "After a time people turn against daily unconvincing efforts to make their flesh creep. That limit has now been reached...With a sigh of relief we can now get on with our job of getting the best possible outcome for Britain in Europe".

Other ministers echoed his confidence that after a period which has seen Tory MPs look at best confused and at worst hopelessly divided that the vast majority would now settle down to presenting a united front.

Mr Major is expected to try to cement that unity with a lengthy exposition of his European policy in a speech later today.

Some MPs on the right, however, insisted that they were not prepared to sit silently if the negotiations in Brussels on EMU looked like dragging Britain into a commitment to a single currency.

N Sea oil unions reach agreement

By Diane Summers, Labour Staff

NORTH SEA oil unions and management last night reached agreement in principle to union recognition and a pay and conditions package that should clear the way for major construction work due to start on platforms this summer.

The deal follows industrial unrest last year and intensive negotiations since December. The package relates solely to "hook-up" work and does not cover the period after oil and gas production gets under way. Unions had, ideally, wanted to achieve a single "continental shelf" agreement that would have covered all North Sea employees involved in both hook-up and post-hook-up work.

Hook-up workers will now typically earn £28,450 a year for 26 weeks' work. This will be about £3,000 more than their post-hook-up colleagues and will make them the highest paid workers in the North Sea.

Motor industry 'seriously damaged by recession'

By Kevin Done, Motor Industry Correspondent

THE MOTOR industry in Britain is being "seriously damaged" by the recession, it was claimed yesterday.

In an open attack on the government'e economic policies Mr Colin Hope, the new president of the Society of Motor Manufacturers and Traders said there was still "only limited understanding in political circles that a recession was not a virtue, that recessions destroy or at the very least do serious damage".

He warned the government that no manufacturer would continue to invest indefinitely in "a market that is as unstable and inadequate as ours has been of late".

UK new car and commercial vehicle sales have fallen precipitously in the last 18 months.

Mr Hope argued that, "market swings of this magnitude are not a result of chance – they flow from inadequate economic management, from lack of sound directional confidence". He added: "They also flow from unjust and illogical taxation."

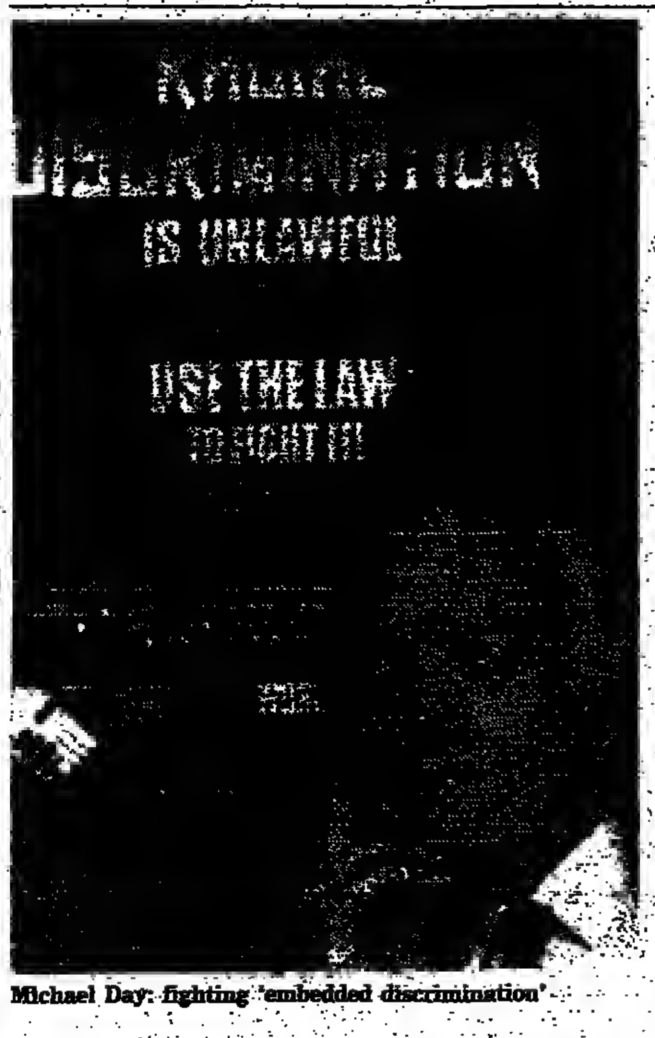
UK car makers are still smarting from the impact of the budget, which they considered to be a direct attack on the motor industry at a time when new vehicle sales were already falling steeply.

The industry fears that new car sales could fall as low as 1.8m this year, compared with 2.0m last year, and a record 2.3m in 1989.

The motor industry could not "operate sensibly in a boom or bust environment – we need stability", said Mr Hope. Urgent actions were needed to restora new car demand to above the level of 2m a year and to ensure that the commercial vehicle industry had a future.

The recession was "deep and widespread" and although some other countries were also in recession, it was far worse in the UK. "There is no end in sight," he said.

● UK car prodnction rose in May to 111,967, a 4.1 per cent increase compared with the same mooth a year ago, helped by a dramatic increase in the output for export markets.



Michael Day: fighting 'embedded discrimination'

Racism continues to blight Britain's black minority

Alan Pike on the demands for a change in the law to end discrimination as progress on equality slows

RACIAL hatred is a fact of life in Britain, according to the country's Commission for Racial Equality (CRE), which this week asked why black people are still more likely than whites to be unemployed or in poor jobs, badly housed or in prison.

The CRE claims racial minorities are still the victims of discrimination more than 25 years after the first Race Relations Act came into force, and 10 since some of the worst riots in post-war history focused national attention on the problems of the inner cities.

The pace of change following the introduction of the act and the rioting has been too slow, according to the commission, which called for a change in the law. It did so in terms which leave no grounds for complacency about the elements of progress which have been made.

Mr Michael Day, the commission's chairman, spoke of "continuing evidence of racial hatred, harassment and violence which blight the lives of many minority community citizens" and a "more covert, subtle discrimination embedded in the culture of many institutions and systems".

Many of the factors which contributed to the inner city disturbances ten years ago, said Mr Day, were still apparent today – high unemployment and poor housing, educational and welfare facilities.

> **There is "continuing evidence of racial hatred, harassment and violence which blights the lives of many minority community citizens" according to Michael Day, chairman of Britain's Commission for Racial Equality.**

Blacks are also less likely to be represented at the positive end of society. The election last week of Mr Bill Morris as the country's first black trade union leader can be interpreted as evidence of progress but also of an agonisingly slow pace of change.

American visitors often express surprise at the almost complete absence of black people in top positions in British society – business leaders, judges, chief constables, college principals – compared with the US.

Unemployment among ethnic minorities is around 60 per cent greater than for whites. This figure, however dismal-looking, is an improvement on the mid-1980s when ethnic minority unemployment was double the average. By the end of the 1980s race relations workers had begun hoping that demographic changes which are reducing the number of young people in the labour force were making employers more prepared to recruit, train and promote black workers.

But optimism that demographic factors were helping to solve the problem is now giving way to fears that the recession is driving many employers back to cautious recruitment policies which disadvantage black applicants. It was, said Mr Day in his annual report, a fallacy to believe that a "benign, evolutionary assimilative process" would resolve the problems of racial disadvantage.

Against this background, the commission wants its legal powers strengthened. Its call comes the week after a Home Office-funded Policy Studies Institute report on the workings of the Race Relations Act in employment cases also argued for changes in the law.

> **American visitors often express surprise at the almost complete absence of black people in top positions in British society – business leaders, judges, chief constables, college principals – compared with the US.**

The commission wants simplified and general powers to conduct formal investigations in named organisations; a new industrial tribunal division to deal with all cases of sex and race discrimination; the introduction of obligatory ethnic record-keeping in employment – with the possibility of its extension to housing and education – and a widening of the race relations law to cover all areas of central and local government activity including the immigration, police and prison services.

Firm recommendations will be made to the government early next year, after the commission has considered reactions to a consultative document published yesterday.

The document argues that issues generated by the Satanic Verses affair show that the law of blasphemy – which applies only to Christianity – needs to be either abolished or extended to other religions, and that "religious identity needs protection in a similar way to racial identity". Other issues raised in the document include the possibility of replacing the Commission for Racial Equality and the Equal Opportunities Commission, which deals with sex discrimination, with a single human rights organisation.

Both the commission and other groups campaigning for stronger legislation are attracted to Northern Ireland's Fair Employment Act, which has the central aim of promoting equal opportunities across religious divisions. A similar approach to racial equality in mainland Britain, it is argued, would give the Race Relations Act a more positive thrust and open up new opportunities to counter discrimination.

Some banks, retailers, local authorities and other employers are adopting fair employment principles in their recruitment policies. The commission believes, however, that the pressure of a stronger law in necessary to increase the speed at which such practices spread through industry.

Ripe pickings for the cash-rich

By Vanessa Houlder

No matter how bad conditions in the property market are, someone, somewhere is always making money.

Indeed, it is virtually a truism that the worst conditions offer skilled investors the greatest opportunities. The Reichmann brothers, for example, made a fortune by buying a clutch of properties in crisis-torn New York in the 1970s.

There are plenty of Reichmann wannabees scouring the UK market, trying to pick out the wheat from the chaff. Although some parts of the market are still treacherous, there are interesting opportunities for the select band of cash-rich investors.

There is, however, more talk than action. Would-be buyers talk wistfully about the difficulty of buying good property in the current market (although cynics ascribe some of this to an attempt to cover up a shortage of funds).

The so-called "sellers' strike" partly reflects the tendency for good quality property to be concentrated in the hands of institutions and large property companies, which are under little pressure to sell at such low prices.

In addition, even some of those that need to offload property are reluctant to strike deals at rock bottom prices. Banks, for instance, are often refinancing deals or warehousing property for a couple of years, rather than sell at the bottom of the market. "The banks are sitting very tight," says Raymond Mould, who heads Arlington Securities which has been looking for deals for Pillar, its recovery fund.

The reluctance to sell at bargain prices is matched by the buyers' reluctance to pay the asking price. Mr Tim Hayward, of KPMG Peat Marwick, the receiver to many stricken companies, says that relatively few realistic offers are being made. "At the moment there are not many serious purchasers around. I don't think we have yet seen a serious uptake in what I call sensible offers," he says.

Every buyer's philosophy is different and it may be some years before the relative merits of their approaches can be decided. So far, however, most of the attention has been devoted to industrial property, where yields have already started to fall.

The enthusiasm for industrial property is partly a consequence of its high yield which compares well with that of gilts. In part, too, it reflects the way in which industrial property has escaped the gross oversupply that has afflicted the office sector.

Perhaps, too, it stems from a suspicion that investors have unfairly tarred industrial property with the same brush as offices. "The market is overreacting to the pain suffered by the developers and banks in formerly fashionable property sectors," says Mr Matthew Oakeshott, director of OLIM investment managers which has long been an advocate of high-yielding investments.

By contrast, relatively little interest is being shown in offices, the yields on which are continuing to rise. "The office market has largely been abandoned," says Mr Greg Nicholson, investment partner of Hillier Parker.

The few deals there are in this sector are mostly being struck by overseas investors, who carried out 70 per cent of the £330m-worth of transactions in Central London in the first quarter, according to Richard Ellis. In the largest deal so far, DEGI, tha largest German open-ended fund, paid £72m for a fringe City property on a yield of just above 9 per cent last week. It said there was "an unprecedented window of opportunity in the London market where there are signs that yields may now be firming".

Retail property is also attracting attention, particularly as some commentators think that it will respond quickly to improving economic conditions. Even within the sector, however, there ara differing approaches to investment.

One of the most active institutions in this field is Scottish Widows, which has been buying through thick and thin since 1981. It has recently bought department stores in Bristol and Gloucester, a few office and industrial buildings and last month, Rosehaugh's Torquay shopping centre for £22.7m.

"I think we have been fairly defensive," says Mr Andrew Winskell, property investment manager. "We have invested in prime locations which have held their value." Ha thinks that the pressure caused by high rents and business rates on retailers, which is worrying some investors, is often exaggerated. "We have had very few people go under on us," he says.

Bnt while Scottish Widows favours parades of shops, it distrusts out-of-town supermarkets and superstores. "They are vulnerable to depreciation and a change in unit size," Mr Winskell says. The rarity of getting planning permission has driven prices up. I do not feel comfortable about them."

It intends to invest £200m this year, citing the dwindling size of the yield gap between property and gilts as a case for property. He does not echo the complaints of the vulture funds about the difficulty of finding property because: "I have a cleaner and better image. The difference is that I am not buying for a short-term bounce."

Mr John Ritblat, head of British Land which has been the most conspicuous contra-cyclical investor to emerge in this downturn, takes a different approach to retail property. Sale and leaseback deals with Sainsbury have played a prominent part in the £460m of deals he has carried out since the end of 1989.

He is keen on out-of-town stores because he thinks the rents are fairly priced. He dismisses the argument that buildings will soon be out of date. "It is quite trua that these buildings in the past have high obsolescence. Today I do not think so. They are designed for update and renewal and they have probably arrived at the optimum shape."

He is wary of high-street shops because retailers are under sustained pressure from high rents, the uniform business rent and the fall-off in turnover.

British Land still has £500m in available funds, of which it would like to spend a "good part". It will not buy entire companies, believing that it is cheaper and simpler to buy property direct. "You don't want to take over other peoples' baggage," Mr Ritblat says.

Mr Ritblat reckons that when sentiment turns, yields will move sharply. "The market tends to move in jumps," he says. That said, he thinks there will be important differences between the forthcoming recovery and that of the mid-1970s. Whereas run-away inflation fuelled the enthusiasm for property in the 1970s, this time round it will need genuine growth to fuel demand. "You won't get a proper recovery until the market is convinced that rents have stopped falling," he says.

"It will be a slower recovery than in the 1970s," he says. "I don't think you will see a market that has got a sustained momentum for two years. It could easily take five years to make real money."

But even if there is no immediate prospect of recovery, Mr Ritblat believes it is right to invest well before the upturn. "Now you can fashion your purchases to suit your requirements. In a bull market you get a compromise," he says. He also warns that prices will be marked up against the buyer when a recovery comes into sight. "You won't be able to buy when you feel the moment is right," he says.

John Ritblat, head of British Land, a contra-cyclical investor

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to April 91	-11.4	-17.5	-11.1	-14.0
Quarter to April 91	-2.2	-4.3	-2.0	-3.0
Month of April 91	-0.4	-1.8	-0.3	-0.9

Investment Property Databank

MANAGEMENT

Weir: under pressure to face up to the reality of ERM

James Buxton reports on the UK engineering group's determination to control its costs

For years staff at Weir Group have put about the story that their chief executive, Ron Garrick, smiles in the mirror first thing in morning to get it over with for the rest of the day. Certainly, in the past few weeks, a lot of people both inside and outside the company will have seen Garrick's most unyielding face.

The Glasgow-based engineering company, which generates about half its business abroad, has set itself the goal of remaining fully competitive in the new economic environment created by Britain joining the European exchange rate mechanism last year.

"There is no way that if inflation here is higher than elsewhere the government will allow the pound to become worth less," says Garrick. "Our main competitors in Germany and Japan are facing cost increases of about 3 per cent a year. Therefore our unit costs cannot rise by more 3 per cent."

The ERM affects Weir not because continental Europe is a particularly big market for it — the company's main markets outside the UK are North America and the Middle East — but because it is the home of KSB of Germany and Sulzer of Switzerland.

These two companies are the European rivals of Weir Pumps, the group's biggest subsidiary, which accounts for 40 per cent of the group's £318m turnover. About 60 per cent of the group's sales come from overseas.

After Britain joined the ERM last October, Garrick said he had no fears about competing with sterling at DM2.95, the rate at which Britain joined the ERM.

Earlier this year he informed the subsidiaries of the 3 per cent cost increase norm. It is already beginning to take effect on manning levels and on the size of bills Weir is prepared to accept from its suppliers.

Garrick, who is 50 and has steered the group since it was rescued by its bankers from the brink of collapse in 1981, says that Weir is acting from a position of strength. Its Weir Pumps subsidiary, one of the three leading pump makers in Europe, is maintaining orders at the high level they reached last year, thanks partly to the strong activity in the North Sea oil and gas industry.

Its desalination subsidiary, Weir Westgarth, recently won a £70m order from Dubai and another subsidiary, Liquid Gas Equipment, which builds equipment for gas-carrying tankers, has taken orders worth £35m to equip fiva ships. Analysts forecast steady improvement on last year's record £27m pre-tax profits.

Despite its aspiration to keep unit cost increases to 3 per cent, Weir operates in a country where inflation until recently was 10 per cent. That came to the fore recently when the Weir Pumps unions initially put in a claim for a 13 per cent increase.

"We were under big pressure with the company performing well and the unions expressed a legitimate desire to share the company's prosperity," says Garrick. "In any case we've got to keep wages moving ahead in the UK unless we want to become the poor man of Europe." On the other hand he realises that, with labour and overheads accounting for 45 per cent of Weir Group's costs, the fact that UK wage costs are only two-thirds of those in Germany is an advantage not to be thrown away.

Roy Stewart, industrial relations manager at Weir Pumps, explained to the unions that since Britain was in the ERM, the company had to compete against rivals giving pay rises of 3 to 5 per cent. "We told them we were locked in a system over which we had no control and warned them that if our labour costs increased faster than those of the competition it could mean s reduced number of jobs."

Weir Pumps made a final offer worth 8 per cent on March 14. The unions waited for nearly two months before putting it to their members in the hope of winning a better offer. The offer was not improved and when it was put to the workforce on May 9 it was accepted.

Last week Weir Pumps announced that it was restructuring back office functions st its three pump factories. Office staff engaged in operations such as engineering, contract management and sales are being concentrated at two sites, Cathcart in Glasgow and Manchester.

Some of those based st the third site, Alloa in Central region, are being transferred to Cathcart, but 67 people at Alloa and 40 at Glasgow will lose their jobs.

Garrick says that the 107 jobs being lost represent four per cent of the subsidiary's labour force, and that with further job losses likely through natural wastage the increase in its labour costs this year should be about 3 per cent.

But he insists that the restructuring is part of a large reorganisation of office work aimed at improving the mechanism for obtaining and processing orders. "We must become mnch better at this," he says. The scheme involves introducing open plan offices located in a logical sequence with more computerisation, and will take a year to come fully into effect.

"We think our manufacturing plants are as good as our German competitors' and much better than those in the US," he says, but admits that the group's productivity has not improved as quickly in the past two to three years as it did previously. A further £2m is being spent on new machina tools at Cathcart.

Stewart says that union concessions on working practices and job flexibility being introduced in return for the phased move from a 39 to a 37 hour week (to be completed next year) "have not met the full cost of the shorter working week."

Weir Group measures its productivity by a formula in which output is scored in terms of the number of standard hours of work on the factory floor each order ought to have entailed. Input is measured by the number of hours actually put in by all employees.

Roy Stewart (left) and Ron Garrick: unit costs cannot rise by more than 3 per cent

By this yardstick output has risen from 18.5 per cent of input in 1978 to 26 per cent today, an improvement of 40 per cent. Any reduction in input hours through slimmed office functions ought to improve the ratio.

Weir Group is ruthlessly employing another weapon in keeping its cost increase down to 3 per cent; it is trying not to pay its suppliers and providers of services more than three per cent over what it paid last year. That means:

- purchasing more components internationally if necessary. "There's no currency risk now if we buy in Europe," says Garrick. "Ideally we would buy in the UK and that's where we get the bulk of our supplies. But if the ERM makes British suppliers uncompetitive we will go elsewhere. We must not be worse off than our competitors."
- bluntly telling providers of services that Weir will not pay them more than a 3 per cent increase on last year. That goes for services such as legal fees, accountancy and banking.

"We've told our auditors: don't ask us for more than three per cent," says Garrick.

"We're as mean as hell, typical Scots with short arms and deep pockets," he says unsmilingly, and implies that many service providers have pushed up their own salaries and expenses excessively in the past few years. "I'm not going to pay them for that."

The 3 per cent norm has been ordered throughout the group, though Garrick admits it would be difficult for subsidiaries suffering declining volumes to achieve it. Fortunately he does not see many in that position.

Some costs cannot be kept to 3 per cent; to Garrick's fury premiums at the Export Credit Guarantee Department are going up by at least 10 per cent.

With Britain in the ERM and the completion of the EC's single market looming, Weir is now more interested in operating in continental Europe, where it has previously complained of the difficulty of combatting German companies' preference for buying German.

It would now like to find and buy a medium-sized engineering company in an EC country, probably Germany. It would leave its management in indigenous hands, but Weir Pumps would channel its castings and machinery through it for local assembly.

An acquisition in the US is another possibility. "The dollar does swing about a bit but I've discovered that US companies have supply costs that are about 10 per cent below ours. I want to get that," says Garrick with a grin.

How Chicago encourages good corporate citizens

Like a character in the opening scene of Tom Wolfe's novel Bonfire of the Vanities, François Falque-Pierrotin, general manager of Banque Nationale de Paris in Chicago, ventured through a black ghetto by car. But unlike in the novel, Falque-Pierrotin was there on purpose — he was driving his intern-employee home.

Falque-Pierrotin is vice-chairman of the Summer Intern Program of Chicago, an organisation that places young people in summer jobs from ethnic minorities living in the inner cities. While American businesses have frequently provided such opportunities, the Chicago programme — set up five years ago — is unique in that it includes heavy participation from foreign companies and banks, even consulates.

The list of corporate participants, nearly a third of which are Japanese, includes both futures exchanges, the Consulate General of the Federal Republic of Germany, Dai-Ichi Kangyo Bank, Daiwa Securities, Deloitte & Touche, Japan Airlines, Illinois Bell, Lufthansa, Société Générale, Sumitomo Bank and United Parcel Service.

Japanese companies have been especially keen to take part in community projects in an attempt to shed their poor image in the United States. But there is a general consensus among foreign firms that they should be good corporate citizens.

While altruism and imagery may be good enough reasons for participation, companies that waiver are subjected to the gentle persuasion of Elvira Borgstädt, the German-born dynamo who is founder and chairman of the programme.

President of her own real estate firm, EBKO, she tells the vacillators that they know how difficult it is to find good middle managers. With this programme, "You are helping educate middle management. That's what yon can do for Chicago and that's what you can do for yourself." This line usually clinches it.

The young people who are carefully selected for the programme are in their final year of high school and must have been accepted by a university. They are then assigned to paid internships, which run from June to August, for each of tha four years of their university studies. In addition to their jobs in business, they are also required to perform community service for abont 12-15 hours a month.

Last summer, Jessica Ulrey, Falque-Pierrotin's intern, spent five weeks at BNP and another five weeks at Sophia University in Tokyo sponsored by the Japan Travel Bureau. She had been worried that she might not succeed in her first year of pre-law studies at the University of Illinois, but her self-doubts evaporated.

"I found faith in myself," says Ulrey, whose home is in one of the worst public housing projects in Chicago.

Confidence-building is much of what the internship programme is about for the students. Exposure to normal job routines in physically safe environments is a boost for young people who have to cope with difficult home lives, overcome deficient primary and secondary edncations, dodge drug dealers and avoid a phalanx of other temptations that could lead them astray.

Brian Pauling, an accountancy student at Hampton University in Virginia, who has been with the programme for three years, says: "It takes determination."

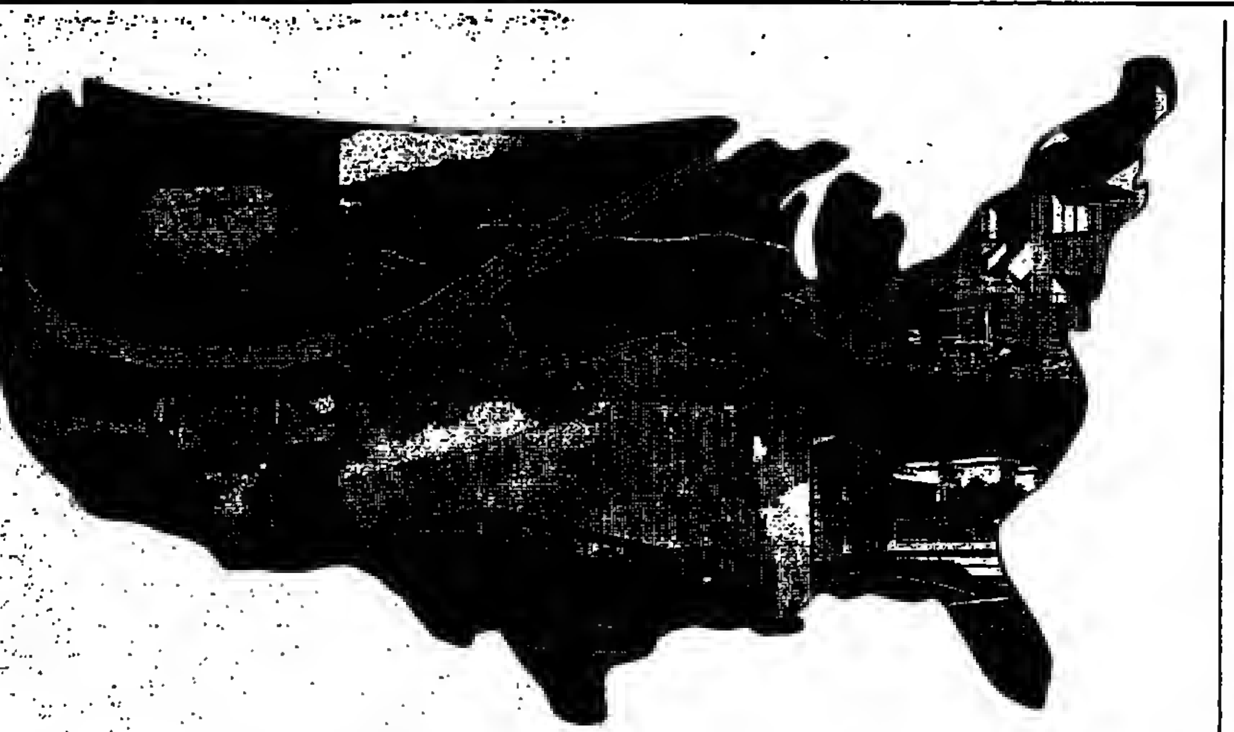
Pauling, from a community on the south side of Chicago, has spent his internships with Fuji Bank. Despite Fuji's interest in offering him a permanent job, Pauling says he wants to take a law degree, become a certified public accountant and eventually start his own accounting firm.

Borgstädt says that the programme is "investing in the future of Chicago". While she plans to place 40 interns this summer, she wants to double that number next year and increase the numbers on the programme to 500.

As part of her expansion strategy, she is looking for more European companies and wants to find for European travel-study programmes. Falque-Pierrotin is already being encouraged to take a Chicago intern at his new BNP posting in Portugal.

Barbara Durr

INTERNATIONAL PROPERTY



COMPANY NOTICES

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FT LAW REPORTS

Italian guarantor can be sued in UK

RANK FILM DISTRIBUTORS LTD v LANTERNA EDITRICE SRL AND ANOTHER
Queen's Bench Division (Commercial Court): Mr Justice Saville: June 4 1991

A CONTRACT claim against defendants domiciled in a country which is party to the Jurisdiction and Judgments Convention can be heard in the UK as the place of performance of the obligation in question, though the defendant disputes the obligation's existence in stay proceedings, if, on the material before the court, the plaintiff establishes that there is a serious question to be tried as to whether it does exist.

Mr Justice Saville so held when refusing applications by the defendants, Lantern Editrice SRL and Banca Nazionale del Lavoro, to set aside or stay an action by Rank Film Distributors Ltd.

HIS LORDSHIP said that by a licence agreement dated July 20 1988 Rank granted film exploitation rights to the licensee for £8.5m.

The licensee agreed to pay Rank in three instalments – $500,000 by October 31 1988, $1.5m simultaneously with execution of a "long form" agreement, and $6.5m "by means of" a bank guarantee.

Under the licence agreement the long form agreement was to contain the same provisions as the licence agreement. The licence agreement was binding until the long form agreement was executed.

On October 10 1988 Lanterna, an Italian company, took over the licensee's rights and obligations.

On November 23 an Italian bank, Banca Nazionale del Lavoro issued a guarantee addressed to Rank. Referring to an "agreement dated November 24 1988", it guaranteed payment on demand of $6.5m.

The November 24 1988 agreement was the long form agreement. It provided that Rank should be paid in London, and that the $6.5m should be paid "by means of" a bank guarantee".

The guarantee was delivered to Rank on November 24.

On October 30 1990 Rank demanded $6.5m.

Neither the bank nor Lanterna complied. On November 22 Lanterna obtained a court order in Rome temporarily prohibiting the bank from paying on the ground that Rank had failed properly to perform its obligations.

A week later Rank began UK proceedings against Lanterna and the bank, claiming breach of the long form agreement and the guarantee.

On December 21 the bank applied under the Civil Jurisdiction and Judgments Act 1982 to set aside or stay Rank's action.

Ten days later Lanterna began substantive proceedings in Rome against Rank, claiming for defective performance of the long form agreement.

Shortly after that Lanterna applied to set aside or stay Rank's UK proceedings.

In January 1991 Rank served a defence and counter-claim in the substantive proceedings in Italy, and joined the bank as third party, claiming the $6.5m from both Lanterna and the bank.

On March 20 the present court heard the applications to set aside or stay Rank's action.

Article 5 of the 1968 Jurisdiction and Judgments Convention, set out in the Schedule to the 1982 Act, provided that a person domiciled in a contracting state might be sued in contract in the "place of performance of the obligation in question".

The bank and Lanterna were domiciled in a contracting state, Italy.

The first question was whether the UK was the place of performance of the obligation in question.

Mr Tuckey for the bank submitted that the guarantee did not expressly provide for payment in London and was made before the long form agreement, so the obligation did not exist when the guarantee was made.

All parties must have been aware when the guarantee was made that Lanterna's obligations would be governed by the long form agreement. It was irrelevant that it was made after the guarantee.

Mr Hapgood for Lanterna submitted that its alleged obligation to pay $6.5m did not exist. He said its only obligation was to furnish the guarantee.

That was not Lanterna's only obligation. Under the long form agreement it was at least arguable that payment "by means of" the guarantee was conditional payment, so that if the bank defaulted Lanterna must pay.

Mr Hapgood said Rank had failed to demonstrate that the bank had defaulted. The submission raised the question of what a claimant had to establish to invoke jurisdiction under article 5.

The question was considered in *Tesam v Schuh Mode (FT, October 27 1989, CA)*.

In that case there was an issue as to whether a contract had been made at all. Here the dispute was not about the existence of the contract but of the "obligation in question". The test in *Tesam* was equally applicable.

On that test the question was whether on the material before the court Rank had established a serious question which called for a trial for its proper determination, namely whether Lanterna was obliged under the long form agreement to pay $6.5m to Rank in London.

Rank had established that that was the position. It had established the existence of the long form agreement, the guarantee, the demand and the bank's failure to honour the guarantee. It was well arguable that if the bank defaulted Lanterna was obliged to pay.

Mr Hapgood submitted the court should not apply *Tesam* but should apply *Attock Cement [1989] 1 WLR 1147*, which held that the plaintiff must establish at interlocutory stage that it would probably win its claim.

That case was concerned not with jurisdiction under the 1982 Act, but with parts of RSC Order 11. *Tesam* was the relevant authority.

The bank and Lanterna sought to rely on article 22 of the Convention.

Article 22 provided that where "related actions" were brought in different contracting states, any court other than the first seised might stay proceedings. For the purposes of the article actions were "related" if they were so closely connected that it was expedient to hear them together "to avoid the risk of irreconcilable judgments". Lanterna's Rome proceedings of November 22 1990 and Rank's London proceedings were not "related actions", since there was no risk of irreconcilable judgments. The Rome proceedings were designed to previde temporary protective relief pending resolution of the merits elsewhere.

The final point related to Rank's defence, counter-claim and third party proceedings in Rome. Lanterna and the bank argued that by taking these steps Rank had conferred jurisdiction on the Rome court which overrode English jurisdiction under article 5.

By article 18 the rule that a court before which a defendant entered an appearance should have jurisdiction, did not apply where appearance was entered "solely to contest the jurisdiction".

Rank's appearance was accompanied by a clear statement of intention to contest jurisdiction. It was settled EC law that that sufficed to bring the exception into play even if the defendant put in a defence at the same time.

In the counter-claim and third party proceedings the Italian court did *prima facie* have jurisdiction under article 2 because they were brought against persons domiciled in Italy. However, before they were instituted Rank had started the London action involving the same cause of action between the same parties.

Article 21 of the Convention provided that where proceedings involving the same cause of action and between the same parties were brought in different contracting states, any court other than the first seised should decline jurisdiction, or might stay proceedings if the other jurisdiction was contested.

Thus on the face of it the Italian court must decline or stay jurisdiction on the counter-claim and the third party proceedings.

That analysis was challenged by the bank and Lanterna. It was submitted that in a contest between article 2 and article 5, the former should prevail as being the pre-eminent jurisdiction.

The submission was not accepted. Article 2 was expressly made subject to the provisions of the Convention, which included article 5. Article 21 provided machinery for choosing between jurisdictions.

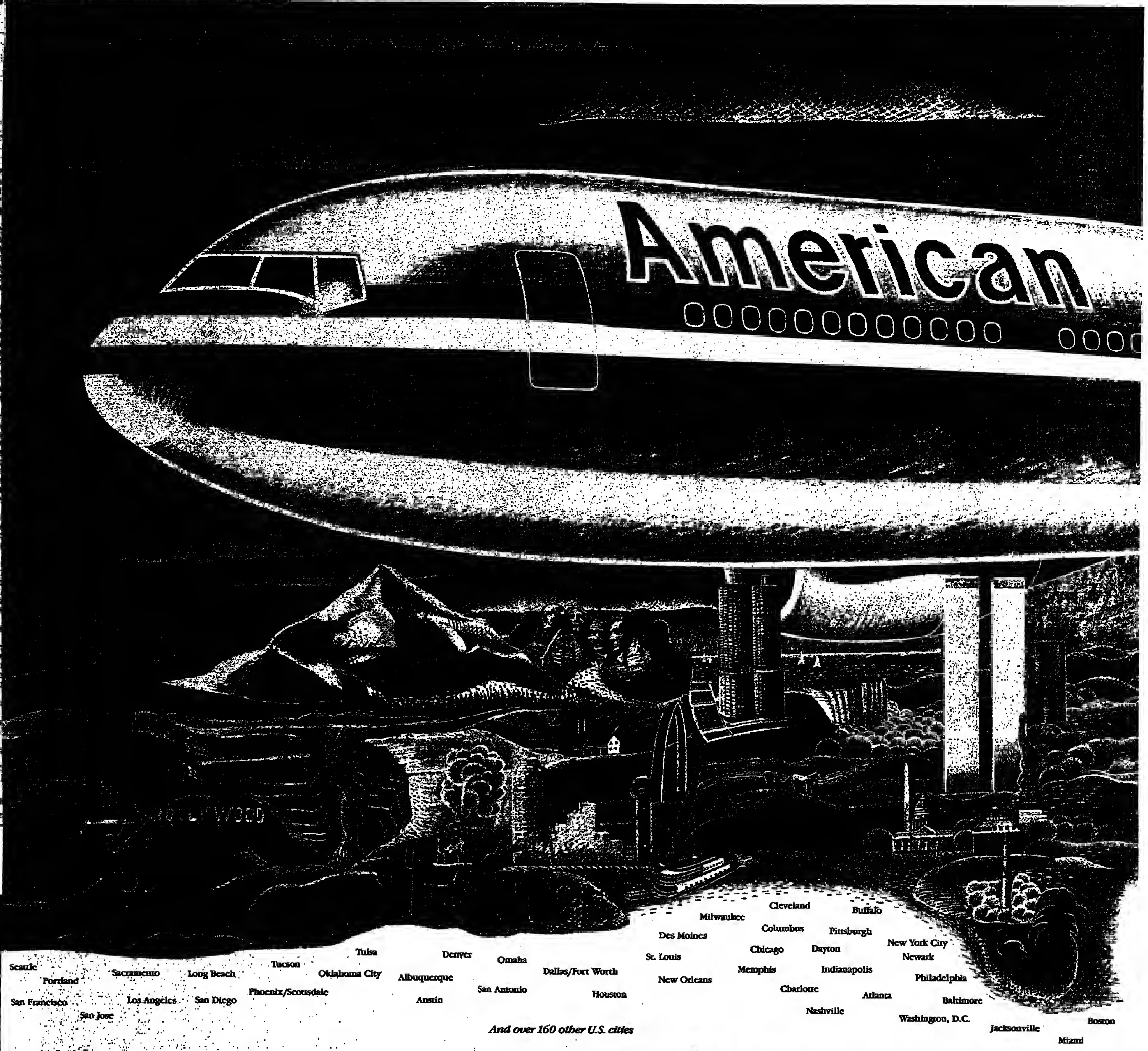
The applications were dismissed.

For Rank: Peter Goldsmith QC and Michael Brindle (Richards Butler).

For Lanterna: Mark Hapgood (Stephens Innocent).

For the bank: Simon Tuckey QC and Jeremy Storey (Mackenzie Mills).

Rachel Davies
Barrister



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Manchester	Chicago	Current
	New York (JFK)	2 July
Glasgow	Chicago	Current
Paris	Chicago	Current
	Dallas/Fort Worth	Current
	New York (JFK)	Current
	Raleigh/Durham	Current
Frankfurt	Chicago	Current
	Dallas/Fort Worth	Current
Munich	Chicago	Current*
Düsseldorf**	Chicago	Current*
Brussels	Chicago	Current
	New York (JFK)	Current*
Zurich	Chicago	Current
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TECHNOLOGY

Della Bradshaw explains how supercomputers are finding a greater role in mainstream applications

Controlling the giant's strength

Roger Wiley proudly flicks through the colour photo albums which record in pictorial form all the intricate stages which go into the production of a single Cray supercomputer. Once each production stage is complete, the album is signed by the individual workers who did the job.

Only 280, or so, such albums exist. As head of telecommunications and computing at Britain's Meteorological Office in Bracknell, Wiley is now the proud owner of two of them.

The Met office will use its two Cray Y-MP8 machines, the first of which will come into full service this month, for short-term weather prediction and for modelling climatic changes. Many of the other Crays in existence are used for similar applications, where huge amounts of data need to be processed, often in university departments, research organisations or exploration – such as seismic analysis in the oil industry.

But the extraordinary power of such machines is now finding a home in more general business applications, particularly in manufacturing.

"We think the market is growing, and the piece of the market we are looking at most closely is the commercial area," says John Fleming, marketing manager for Cray Research in the UK. "One of the most interesting things for us is the success that Cray has had in Japan, where all the primary Japanese automobile manufacturers use our machines to design new cars."

Two areas of particular interest for the car makers are car design – to model drag factors, for example – and "crash analysis", to calculate what would happen to the car body on impact. In the US and the UK aero-engine makers such as Rolls Royce are also using Cray machines to design their wares. And there is some academic research concentrating on the modelling of financial data – although this is still restricted by the lack of software for the applications.

The appeal of such machines, apart from their enormous processing capabilities, is that they enable manufacturers to visualise what would happen in given circumstances. As Fleming points out, the amount of data needed to make the calculations on wind drag or crash impact could eventually be processed on a large mainframe computer – although it may take time. The problem is how to present and analyse the output.

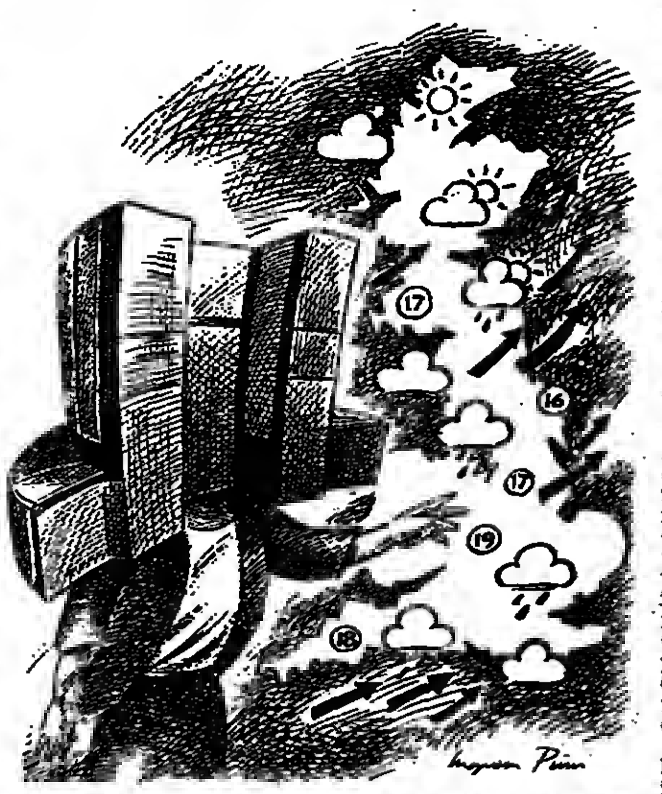
Visualisation, using computer graphics, enables the information to be easily assimilated by the engineer or forecaster. The weather sequences which appear on television in many countries, with the sun or showers passing across the country, are produced on supercomputers. A financial model could compare a number of products – bonds, say – by modelling their performance over a number of years and displaying the results graphically, so the analyst could tell immediately which would perform most effectively over a given period.

In spite of the growing popularity of such machines there is still a lot of confusion in the market about their definition. "A supercomputer is a label we attach to the most powerful machines, which makes it a moving target," points out Fleming. "Cray has a number of machines, but some of them are 'superer' than others."

Bill Padfield, managing director of the UK arm of Alliant Computer Systems, defines it more precisely: a supercomputer must process more than 1bn floating point operations, or a gigaflop, every second, he says. (A floating point operation is an arithmetical operation, and the measure used to calculate the speed of top-end machines.)

Cray machines range in price, for example, from \$300,000 (£180,000) at the bottom end to \$30m at the top. This indicates a move by Cray into the less powerful area often referred to as "mini-supercomputers", which were pioneered in the US by companies such as Alliant and Convex Computer.

They traditionally had performance speeds less than 1 gigaflop, although now they are beginning to cross the demarcation line. Last month Convex announced a family of supercomputers based on gallium arsenide (GaAs) semiconductor technology, making the machine up to nine times as powerful as its silicon-based predecessor. The University of London was the first organisation to order the Convex C3800. The university will pay £4.5m for the machine, which will be used in areas such as computational chemistry, engineering and earth science.



There are two factors which principally distinguish supercomputers from ordinary mainframe machines and give them their extraordinary speed. They are:

- Parallel processing, where a number of processors manipulate data simultaneously.
- Vector processing, where one instruction generates a whole series of results, unlike the serial mainframe computer where one instruction produces a single response.

The Cray Y-MP8 computers used by the Met Office have eight processors, each of which is a vector processor. As a result the machine can manipulate up to 2.7 gigaflops of data – or carry out 2.7 billion mathematical operations – every second.

Although Cray machines may be finding favour with the Japanese, Wiley got his machine almost by accident. When the Met Office decided it needed to replace its Cyber computer, because it needed up to 50 times the processing power the 1981-installed machine could offer, it looked at three companies to fulfil the contract: Cray, ETA, a subsidiary of Control Data of the US, and NEC of Japan.

ETA won the contract on cost, says Wiley, and the machine was installed in the middle of 1988. Then in April 1989, in the middle of the second acceptance trial, Control Data decided to close its ETA subsidiary.

"A long period of negotiations with Control Data followed, and we agreed that that the company's would not be able to develop the software on and give us the level of support we needed," relates Wiley.

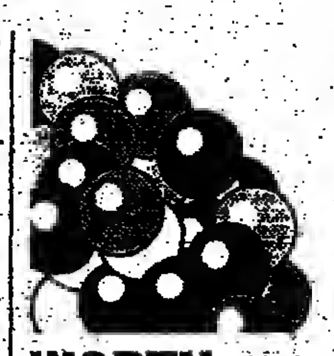
Instead, the Met Office negotiated for Control Data to put in the Cray machine, in settlement of the deal. The Cray will take over the full burden of the weather forecasting this month, handling short-term weather prediction for the UK and overseas, and the more general task of circulation modelling which will enable the Office to model and predict climatic changes.

The second Cray, which was delivered early this year, will be used to fill a Department of the Environment contract on environmental modelling and climatic change – the effects of ozone depletion and excessive carbon dioxide, for example, on the weather. Once the software was written for the first Cray machine it made it easy to duplicate it to run on the second to carry out the more specialist environmental model on the second machine.

Although the purchase of the first Cray was determined as much by circumstance as by choice, Wiley reckons that by the time his new machine needs replacing there will be several extremely powerful machines on the market, from which to choose. They will include machines from US manufacturers such as Cray Computer (a break-away company from Cray Research) and Cray Research itself and from three Japanese computer makers, Fujitsu, Hitachi and NEC.

NEC already claims to have broken the world supercomputing speed record, formerly held by Cray, with its SX-3 supercomputer. And there is growing competition from machines which go under the unusual title of "massively parallel" computers – where there are thousands of mini-processors, all processing data simultaneously. In the UK such systems are made by Parsys and Meiko, and in Germany by Parsytec. Parsytec will launch a machine next week which, it claims, will deliver a computational performance of up to 400 gigaflops.

Fleming, however, believes Cray, will maintain its lead as the speed master of the supercomputing industry. "We have been successful so we expect to see a number of other competitors in the market," he says. "But we're still confident we'll continue to have the most powerful machine you can buy for your money."



WORTH WATCHING

Della Bradshaw

Fake goods show their colours

A SECURITY mark as unique as a fingerprint could put producers of fake perfume and counterfeit watches on the run, writes Christine Griffiths.

Called Microtaggant, this tiny plastic particle is of random shape and made from a chemically stable thermoplastic resin with 10 coloured layers. Each colour corresponds to a value from zero to nine and the sequence denotes the code – there are more than 4bn available.

The microtaggant can be applied directly to products, or in a clear varnish, which is then printed on to labels. Manufacturers of wine, drugs, motor parts, videos, and even designer clothes – who all lose billions of pounds a year to counterfeiters – can label each product against fraudsters. The mark is read with either a pocket microscope or electronic scanning equipment.

Stampiton Microtrace, of Stockport, which developed the system, stores the codes in its central computer, accessible only to the customer.

A tour guide who is in the know

IBM's Scientific Centre in Germany has developed a computerised tourist information system for the centre of Dusseldorf which can "understand" written natural language.

The research system, known as LEU/2 and developed by the Institute for Knowledge-based Systems, in Stuttgart, can "read" German texts, analyse them linguistically and logically and then store the knowledge in a knowledge base.

Operating on a PS/2 personal computer or RS/6000 workstation, LEU/2 holds both specific knowledge – such as the city map – and general knowledge – that a museum is a building, opens specific hours and charges an entrance fee, for example.

When users type in questions the system responds either by giving the specific information it has stored or by deducing the answer from its knowledge base. It also makes linguistic deductions: if it were asked firstly where a certain museum was located and then what time it opens, the software would refer back to the previous question and deduce that the "it" in the second question referred to the museum.

Five stars for clean paper

WHILE the UK paper industry awaits the government's eco-labelling scheme next year, Brands Papers, of Rugby, has devised a way of displaying a paper's environmental good or bad points, writes Christine Griffiths.

Brands, which markets paper and board in the UK, has gathered information on five areas of concern in the sourcing, manufacture and disposal of its 50 suppliers. An eco-check star is awarded to each product which surpasses the standards set in each section, up to a maximum of five stars.

Brands suppliers – mostly European mills – voluntarily submit details about such things as their forest management, levels of fossil fuel used and waste treatment, to be awarded their stars. The scheme will apply to both standard and recycled paper.

Exhaust sensors take to the road

AN extremely thin sensor, used for detecting car exhaust fumes, could help reduce the proportion of polluting gases, such as carbon monoxide and oxides of nitrogen, produced by engines.

The sensors, fitted into the catalytic converter in the exhaust system, send back information to the car engine to instruct it on optimum fuel use. Because the new sensors are made of thin film ceramics they are just one three-thousandth of the thickness of the lambda sensors used today. As a result, they can respond to changes in exhaust emissions in one tenth of the time. This enables the engine to adjust the fuel mixture more quickly, hence reducing noxious fumes.

Developed by Siemens' research laboratories, in Munich, the film is achieved by sputtering a semiconducting metal oxide on to a ceramic substrate.

Printers, printers everywhere . . .

OWNERS of the humble Amstrad PCW word processor can now splash out on a wider range of printers, thanks to upgrades in the Locoscript software from Locomotive Software, of Dorking.

The latest Locoscript 2 (version 2.30), together with the Locomotive software printer support package, enables more than 500 different printers to be supported from the PCW. These range from the cheapest typewriters with computer interfaces to sophisticated laser printers, including Canon and Hewlett-Packard machines.

The printer support package and latest version of Locoscript cost £29.95.

Flounder fights deep freeze

THE flounder, the flat fish which can survive in freezing cold water, could provide the insight into the development of the next generation of anti-freeze products.

Scientists in Virginia are developing a structural and functional copy of the natural fish anti-freeze which inhibits the formation of ice crystals at sub-zero temperatures. The first chemical analogue has already been made in laboratory quantities, and the researchers at the veterinary biosciences department of the Virginia Polytechnic Institute and State University, in Blacksburg, are now working on substances that can resist crystal formation at lower and lower temperatures.

As well as being used as a substitute for salt to prevent roads icing over, the new agents could be used to preserve foods which today are damaged by ice crystal formation. Eventually they could even be used to help breed frost-resistant crops.

Contacts: Stampiton Microtrace: UK, 0663 733 835. IBM: Germany, 711 7500. Brands Papers: UK, 0788 540000. Siemens: Germany, 089 2348. Locomotive Software: UK, 0306 740606. Virginia Polytechnic Institute and State University: US, 703 231 7666.

FINANCIAL TIMES SURVEY

OFFICE PROPERTY

Friday June 14 1991

View from the top: the landmark Canary Wharf development, right of picture, was completed earlier this year in London's Docklands.

Picture: GLYN GENIN

Large parts of the sector are suffering from an imbalance between supply and demand. The most damage was initially caused by oversupply but the recession is seen increasingly as the main problem as it undermines tenant demand. Vanessa Houlder reports

Recession takes its toll

THE office property market has moved into uncharted territory. After the frenzied construction activity of the late 1980s, large parts of the sector are suffering from an imbalance between demand and supply, notably in central London.

Damage has been inflicted from two sources. At first, the main culprit was oversupply, which resulted from easy money and the relaxation of planning controls. Increasingly, now, the problem is caused by recession taking a heavy toll on tenant demand. Both factors are most pronounced in the south. Supply and demand in the Scottish market are reasonably well balanced.

Overall, the result is a collapse of investor confidence that has pushed yields to their highest point for at least 15 years. (A yield – the ratio of income to capital values – reflects expectations of future income growth.) Yields may go higher still, particularly in the hard-hit City of London. Hillier Parker, chartered surveyors, thinks office yields will rise from their current level of 9.2 per cent to peak at about 9.5 per cent later this year. "The office market has largely been abandoned," says Mr Greg Nicholson, Hillier Parker's investment partner.

Likewise, rents in many locations are being tightly squeezed. Richard Ellis calculates that office rents dropped by 6.6 per cent last year and will fall a further 15 per cent in the year to January 1992. Salomon Brothers, the investment house, thinks rents in the City, the worst-hit area, could tumble by a total of 40 per cent from their peak, as they did in the mid-1970s.

However, the outlook is not all gloomy. Investment sentiment has picked up from the start of the year, when interest rates were at 14 per cent and the world was at war with Iraq. The end of the Gulf war, the cuts in interest rates and the emergence of new investors, particularly from continental Europe, are giving renewed hope to the demoralised property sector.

The UK's entry into the exchange rate mechanism has given impetus to investment from the rest of Europe. As regulations are eased within EC countries, institutions are diversifying their portfolios. "Inflating property values in mainland Europe together with UK membership of the ERM places the UK in a more equitable position within a European investment market," says Debenham Tewson Research.

Richard Ellis calculates that overseas investors, notably French and Dutch, accounted for more than 70 per cent of the £390m capital transactions completed in the first quarter in central London.

It points out that London's prime yields of 5.5 per cent for the West End and 5.25 per cent for the City compare favourably to the yields in other European capitals, namely 5.25 per cent for Madrid, 4.75 per cent for Paris, 4.25 per cent for Frankfurt and 4.25 per cent for Berlin.

"The volume and nature of current activity is showing renewed vigour, triggered by the ending of the Gulf conflict, falling inflation and reduced interest rates," says Healey & Baker, chartered surveyors.

None the less, surveyors warn that the mood of optimism is fragile and investors are carefully monitoring the economy.

The investment market is also handicapped by a mismatch between the expectations of buyers and sellers. Most buyers want good quality, well-let buildings in good locations, with high yields. Relatively few forced sellers have property of this quality, and many companies with stronger finances are trying to delay their sales in the hope that yields will come down.

Surveyors advocating a switch into property emphasise the need to be selective. Concerns about oversupply have dragged provincial office yields up to 9 per cent, with the exception of prime space in Manchester and Birmingham which commands yields of 8 per cent. Nonetheless, a careful analysis of individual centres reveals some with good growth prospects worthy of lower yield ratings, according to Healey & Baker.

The surveyors sound a warning about Enterprise Zone property, arguing that the large amount of vacant accommodation could undermine values in the long term. "In some cases investments that have been sold on the back of rental guarantees could yet turn out to be very dubious long-term acquisitions," says Healey & Baker's latest investment report.

Investors should also proceed carefully in the central London market. In the City, the space that was planned for the seemingly endless expansion of the financial services industry in the heady days after Big Bang is likely to overhang the market for several years. Although the City may benefit from the arrival of more international business, the financial services industry is in a period of retrenchment.

The combination of thin demand and the plethora of new developments will make vacancy rates rise from the existing level of 15.6 per cent to well over 20 per cent by the year end, according to Baker Harris Saunders, chartered surveyors in their latest City development and market commentary. As a consequence, many commentators doubt whether the 6 per cent yield for the best property in the City takes adequate account of the poor rental prospects.

In the West End, where prime yields are running at 5.75 per cent, the problem is less one of oversupply than inadequate demand. Many of the service industries that characterise the area have been hard hit by the recession while high rent rises are forcing some tenants to look elsewhere if they can.

However, the harsh statistics do mask occasional glimmers of hope. There are relatively few large, high quality buildings in prime locations in the West End. And even in the City, there is arguably a division between prime, modern space and second-hand office blocks in fringe locations.

The split between good quality property and poor imitations is even more pronounced in the business park market. The developers who reckoned that a couple of suburban buildings accompanied by one or two trees could be marketed as a business park, have been disabused in the last year.

Better quality schemes have stood up to the market reasonably well. Although take-up fell by more than 20 per cent last year, the market managed to absorb a creditable 10m sq ft of space. Business parks' appeal to tenants has broadened and the number of new projects coming on stream has shrunk, confining the oversupply of business parks to enough to satisfy demand for 18 months, according to APR.

For the present there is no doubt that it is an outstanding market for footloose tenants. As well as bargain rents, tenants can demand considerable concessions such as rent-free periods, cash inducements and allowances for fitting-out costs.

In principle, tenants can cut their costs considerably by moving offices. In practice, however, the number of active enquiries is a small fraction of potential demand. Baker Harris Saunders attributes tenants' reluctance to move to three factors: the capital required for the removal and fit-out of a new building, the reluctance to take on a 25-year lease in uncertain times and the difficulty of disposing of existing leases.

These obstacles, together with many landlords' cash flow tensions, have resulted in increasing pressure for shorter lease terms and break clauses and for landlords to take on responsibility for the tenant's existing lease commitments.

"The fourth stage is just emerging, with tenants beginning to ask for concessions on aspects of their leases which have always been regarded as sacrosanct," says Baker Harris Saunders.

There is considerable uncertainty about the likelihood of widespread erosion of the lease structure in oversupplied areas such as central London. In the mid-1970s, leases came under pressure but reverted to the traditional format with the turn in the cycle. It remains to be seen whether the overhang is large enough to force lasting change this time around.

There are still buyers about, writes Anne Steadman

Special attractions lure some foreign investors

OFFICE property yields are at an all-time high. Interest rates are drifting downwards. And although not even the most gung-ho of agents will venture a guess as to when office rents will start to move up again, there seems to be consensus that yields will soon start to harden – if they have not begun to do so already.

There are buyers about; many from abroad who can only see property at current yields – when measured against their own domestic yields – as cheap, particularly with the added bonus of the UK's traditional 25-year lease structure.

Even UK domestic institutions which are relatively liquid are dipping their toes in the water after a long absence – and looking to buy.

The rationale for most would-be buyers is simple. That there are no prospects for rental growth in the medium term is taken as read, but a fall in yield will ensure respectable capital growth. Income growth, when it finally happens, will be the cherry on the top.

For some foreign investors, for example the Germans, there are added attractions. If they can buy at, say, initial yields of 9 per cent, with their own domestic borrowing at 8 per cent, the deal looks even better.

There is, then, undoubtedly a great deal of interest. That said however, there are not too many transactions actually taking place.

This is simply because there is a shortage of the right product at the right price. Most buyers are hoping to acquire good quality, well-let buildings in good locations at high yields.

The questions arise: just who in the current market is going to sell at these prices?

Are those initial yields really what they seem, especially when many buildings are over-rented?

One often-cited example is that of Birchin Court, a new multi-let building in the City, which was sold to the French Credit Foncier for £41m earlier this year.

Tenants, says Mr John Mundy of Richard Ellis, which handled the sale, are paying various rents "in excess of £50 a sq ft". At face value, based on those rents, the initial yield is 8 per cent. However, analysed for valuation purposes, that yield comes down to 7 per cent.

Some sellers are the UK institutions. The Norwich Union and The Prudential, both of which are historically overweight in property, have put it on record that they do not intend to add to their existing investments in property. Others are selling in central London because their portfolios are too heavily concentrated in that area and out of balance.

With good judgment, it is still possible to have 'plenty of fun out there'

Still others, including Mr David Hunter of Scottish Amicable, are quite happy to take the opportunity to "dump a few – at the right price".

While he is prepared to sell "expensively" – and Scottish Amicable's Nightingale House in Curzon Street is on the market – Mr Hunter remained conspicuously active as a buyer over the last year or so while the majority of his institutional colleagues were firmly glued to the fence. He still is a buyer and believes that with good judgment it is possible to have "plenty of fun out there".

He believes the current obsession with yields could be misplaced. He would, he says, much rather buy a good quality provincial office property at 8.5 per cent than a poor one showing 10 per cent.

International investors are also very much in the market. These are largely European, Japanese and Middle Eastern. The Australians and Americans have too many problems at home and have beat a hasty retreat, as have others, such as some of the larger Dutch property companies, several of whom suffered burnt fingers at the height of the good years.

The Germans have been at the forefront. The German Hypobank with Ossory Estates has so far spent more than £100m on UK property.

Several of the German open-ended property funds are "getting their acts together" following deregulation and are interested in buying in the UK, says Mr Peter McFarlane of Weatherall Green & Smith.

DGI, one of the larger German funds, has retained Jones Lang Wootton with a view to putting £350m into EC property including the UK.

Another notable presence is that of German private individuals, quite a few of whom would have no difficulty in funding purchases of up to £20m and more.

The Dutch institutions are also in the hunt. Aldwych House recently went to a Dutch fund for £80m; smaller investors are also buying. Danmerc, a Dutch consortium advised by Weatherall Green & Smith, has just picked up two more properties after spending £2m on an office investment in Cambridge.

The two new properties are Berisford Property Development's 17,285 sq ft office development in Chertsey, for which £4.6m was paid, and the first phase of Wilson Connolly's new Waterside office project at Rushmills, Northampton.

Danmerc is hoping to invest a further £40m in UK property. Danmerc's purchases are of note because up until now it has been rare to find overseas investors interested in properties outside London – although several of the UK's provincial cities bear comparison with other European capital cities.

Another foreign investor, the Swedish Stancia, which has refurbished a 125,000 sq ft office building in Leicester Square, is also looking for further investments. Mr Jan Lilja, managing director, says that he would be happy to put money into provincial property.

French and Japanese investors are also casting an eye over UK office investments.

In the case of the French, who recently have seen domestic prime office yields at 4.5 per cent – although they are now moving out to 5 per cent – London looks very reasonable indeed.

Agents remark that the French are "less price-conscious than some of the other European investors".

The Japanese after paying some pretty high prices at the height of the good years, are still there.

Although big investments abroad need the go-ahead from the Japanese Finance Ministry, it is believed that at least two Japanese life companies are looking for London headquarters buildings, for which they are prepared to pay more than the 8 to 8.5 per cent being talked about by the Germans and some of the UK domestic investors.

Middle Eastern investors are also still around, although in general terms their strategies remain a mystery to most market observers, and details of transactions are likely to remain shrouded in secrecy. The United Bank of Kuwait recently bought the head leasehold of 7-17 Baker Street in London's West End for about £13m.

Although there is a general air of optimism among investment agents, it remains to be seen just how much of all this interest will be translated into positive action in the form of deals.

Potential investors keen to rush in should take note that though UK prices are reasonable, not too many sellers are prepared to give their properties away, and there is definitely no way they will be able to get their hands on the few prime properties in the true City core or best West End locations at yields of 7.5 per cent.

There is still a premium to be paid for the very best.

David Lawson on the deepest slump in memory

Over-egged cake

FIRST the good news: anyone looking for offices in central London can expect the deal of a lifetime. Discounts, rent holidays, fitting-out incentives – *anything* to get you in the door. All at a base price as much as 40 per cent below the late-1980s peak. Now the bad news: imagine you are a landlord.

Things will get worse – or better – depending on which side of the fence you are. Rents are set to fall even further as the industry struggles through the deepest property slump in living memory.

This is not simply a result of demand weakening just as the fruits of the construction boom are ripening into a glut of new buildings. Some tenants want new premises, but are moving ultra-cautiously. Others are suffering the landlords' problem; they are unable to get rid of their existing premises in a market awash with second-hand space. And a few have realised ths dice are not entirely loaded in their favour. High-quality, well-located premises are still as precious as gold dust.

Doom has been preached for some time by analysts such as Chris Walls at Salomon Brothers and Geoff Marsh of Applied Property Research, although for too long the reaction was to shoot the messenger.

Mr Walls believes the outlook for rents and capital values will remain grim for at least a couple of years, even *though the building surge is* tailing off. Mr Marsh points out that 28million sq ft of unlet space will come to the market by the end of 1992. That might not seem indigestible when between 2 and 3million sq ft of space is being absorbed every three months even during the slump, but new tenants usually throw old offices on to the market, so only around 4million sq ft a year of total supply disappears. London, therefore, has the equivalent of between seven and nine years' net requirement stuffed into 18 months.

In fact, supply has already *passed* 21million sq ft in the London business core, with another 3.4million available in Docklands and 5million in *remaining areas, according* to Debenham Tewson & Chinnocks figures produced within the past couple of weeks.

Meanwhile, csntral area take-up fell by almost 30 per cent in the 12 months to March and collapsed by 50 per cent in the first three months of 1991 elsewhere. The overall vacancy ratio rose from 10 to 16 per cent in a year, and Baker Harris Saunders predicts that well over 20 per cent of City offices will be standing empty by the end of 1991.

Even dependable companies have been shaken by savage portfolio devaluations

The impact on values has been catastrophic. Weatherall Green & Smith says tenants willing to stroll five minutes from the Bank can find prime air-conditioned space for around £40 a sq ft – and that is before taking account of letting incentives. Two years ago, top rents were bounding above £65 and touched £70 in the West End. Some forecasters were betting on breaking the £100 barrier by the mid-1990s. Now *the prospects are for further* falls, with only a few buildings holding their own.

Even dependable companies such as Land Securities and MEPC, the UK's top two developers, have been shaken by savage portfolio devaluations, and more bad news could be stored up as rent reviews fall due. The next shock could be a long-awaited adjustment to lease structures. Salomons and BHS predict that pressure to dispose of empty offices could force landlords into offering shorter terms than the traditional 25 years. Some tenants are already winning break clauses, and five- or 10-year leases, as a price for accepting rents which are still 30 per cent below boom levels.

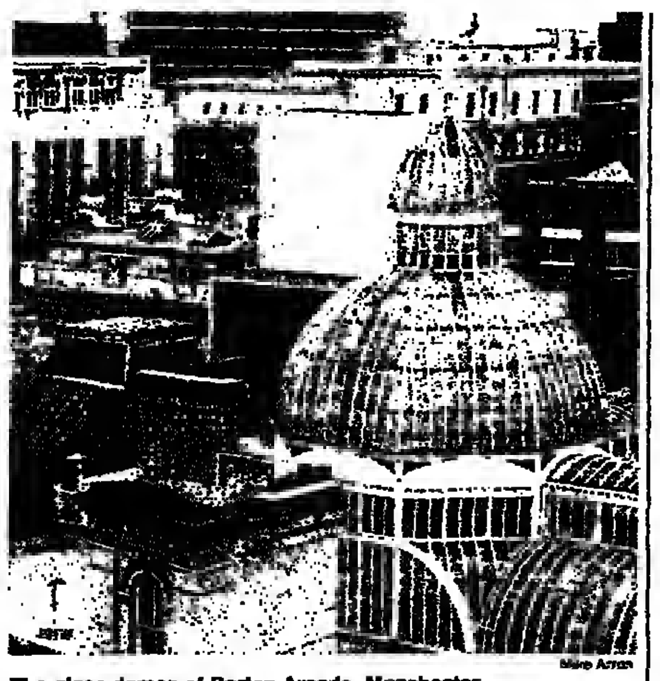
The next step will be refusing to accept traditional lease terms such as liability for repairs, insurance and latent defects, or responsibility for default by a subsequent occupier after a tenant moves on and assigns a lease. "There are sven suggestions that the upward-only rent review may be under threat," says Sandra Jones, head of BHS Research.

Such moves would cause widsspread reverberations among investors. Institutional owners are unlikely to give way easily after decades of resisting changs, however. They are rich enough to play a waiting *game*, and *confident* that tenants will scramble for the best space when the economy twitches back to life.

That may not, however, apply to second-hand space and "fringe" blocks thrown up in poorer locations during the Big Bang hysteria. Colin Hargreaves at Healey & Baker insists these are the real albatrosses around the neck of what has become a sharply divided market. "There is still a shortage of prime space in the *stricter sense of the word*," he says.

That is becoming a familiar cry, particularly in the West End, where agents *such as* David Klein at Strutt & Parker argue that crude oversupply is less of a problem than mismatch of buildings to demand in a two-tier market.

Whichever way you cut this over-egged cake, however, it looks as much a vale of tears as a market of tiers. For the landlords, that is; any crying tenants will be doing is from happiness on the road to the bank.



The glass domes of Barton Arcade, Manchester

MANCHESTER

Varied reasons for growth

IN THE SECOND half of the 1980s, the office market in Greater Manchester enjoyed an old-fashioned boom. In the city centre, prime rentals rose by 150 per cent in the three years to 1989 and a third Manchester office market was created on *derelict quays at Salford*.

Manchester is now the only English city outside London where the centre of gravity in the office market is not found in a single location. London has the City, West End and the Docklands; Manchester ths city centre, South Manchester and now Salford Quays. These markets account for well over 65 per cent of the estimated 34m sq ft of office stock in Greater Manchester.

Each of the markets is distinct from the others and the reasons for growth, and its effects, have varied significantly. At Salford and South Manchester, the boom has been supply led. In the case of Salford, which has enterprise zone status until August, it has been fuelled by investors.

The scale of new development has brought localised oversupply

In central Manchester, growth has been demand led as the city's professional services sector has expanded within a limited geographic area. The real rental *growth has been in the city* centre, but the largest developments have gone up in Salford and South Manchester.

Since *last* year, the weakness in parts of the Greater Manchester office market has been exposed. Although there has been only a slight rednction in historic take-up levels the scale of new development has brought localised oversupply.

Salford Quays is the prime example. Having created a distinct occupier base – generally technology-led companies in smaller units – a huge amount of new space has gons up in ths past 18 months. Rents *which had climbed slowly* to £11 a sq ft by 1989 are now being pitched at £15 a sq ft.

According to Dunlop Heywood, the first Manchester surveyor to open an office on Salford Quays, some 150,000 sq ft of office space was let on the Quays between 1986 and 1989. There is now 1.3m sq ft of new space being built, with another 800,000 sq ft proposed.

The biggsst projects are Charter Group's 500,000 sq ft Exchange Quays development, Amec Properties' 250,000 sq ft Anchorage and the 500,000 sq ft Harbour City from the Manchester Ship Canal Company. *MSCC has also started on its* 600,000 sq ft Pomona Strand development.

These projects have seen *considerable investment interest*. Amec and the Charter Group have attracted more than £100m from specialist enterprise zone funds. Property Enterprise Trust paid £52m for two buildings at Exchange Quay, one of the largest single investments in the Manchester market for a decade.

Tenants, however, have been notable by their absence. Earlier this year, aftsr losing a large letting to the Nat West Bank's Centrefile operation to a nearby business park developed by London and Metropolitan, Charter and agents Richard Ellis parted company. The *developer has now cut rents to* a level which the market suggests are as low as £11 a sq ft.

In South Manchester, the oversupply is less obvious and the growth of the airport has underpinned long-term confidence. *Rents* of £15 a sq ft are now being achieved, but a number of stand-alone office buildings on infill sites have been empty *for over a year*.

Mr Tom Marshall, head of agents Lambert Smith Hampton's Manchester office, says that the quality of some schemes in the area has not been all that it might.

"There has been a tendency for developers to bring forward sites for office use which might have been better allocated to other uses, but having said that there is a need for a true business park near the airport."

The first is now being built by Ringway Developments, a consortium formed by Amec plc, Peel Holdings, CIS and the 10 Greater Manchester local authorities. The Manchester Business Park, at Wythenshawe, will be a 475,000 sq ft low density development in a lakeside setting. Rents are pitched at £17 a sq ft.

Attempts are also being made to link the airport with the city centre through the creation of a "Corporate Corridor" *running along Princess Parkway*, the main southern arterial route into the city.

The concept was floated by *Manchester City Council* planners in the 1970s. It was not until last year, when Siemens built its 350,000 sq ft northern headquarters alongside the Parkway at Didsbury, that it began to appear credible.

Orbit, a local developer, has already completed a 120,000 sq ft business park in Moss Side, gambling that the attraction of the corridor and the quality of the park – heavily landscaped; 24-hour security – will overcome the negative associations of the area. The *gamble* appears to be paying off. Wang has recently taken the first 20,000 sq ft building, at £15 a sq ft, as its regional headquarters.

In the city centre, rentals are now more than £20 a sq ft, following the pre let of a Church Commissioners' development at St James Square to Legal and General. The highest rent achieved on a completed building to date is the £15.50 paid by solicitors Addleshaw Sons and Latham for space in MEPC's Newmarket House on Cross Street.

Most of the city's chartered surveyors believe that the lack of new *buildings within* the city's Square Half Mile is likely to see rents head towards £25 a sq ft over the next two years.

Tom Marshall said: "Central Manchester missed out on the development boom because development finance was difficult to get hold of. Although the froth has now come off the top of the market there is still an imbalance between supply and demand."

The statistics support this. Around 700,000 sq ft of new space is due to be built in central Manchester by mid 1993. Around half of this has already been taken and of the remainder 200,000 sq ft is in one building: Lee House on Great Bridgewater Street. Historic take-up in the centre is around *400,000 sq ft a year*.

Martin Regan

■EUROPE: gripped by l'attentisme

Berlin bucks trend

MANY of Europe's office centres are gripped in a state of *l'attentisme*, or suspended animation, with recession taking over from the Gulf war as a cause for drift. There is one outstanding exception: Berlin.

In a week's time the Bundestag will debate whether to shift the capital of Germany back to Berlin. Whatever the outcome – and betting is on a compromise which will save *Bonn's face – everyone wants* to be in Berlin.

In east and west, rents are rising so rapidly nothing can keep pace. In two years, rents for prime new space in the west have doubled to DM65 per sq metre per month and in the east the sky is the limit. There, asking rents as high as DM120 are on record and that's without proper telephones.

Of course, both are very artificial markets. The east has a non-existent stock of useable *office space and its first speculative* central city development – 650,000sq metres of offices, 350,000sq metres of retail and 100,000sq metres of residential in Friedrichstrasse Passage to be built by a US/French consortium of Trishman Speyer, Galleries Lafayette and Bouygues – will not be completed before 1994 at the earliest.

Supply in the west has been wholly inadequate to meet demand since the wall came down, and with planning authorities *overwhelmed* by applications, new development is caught in a stranglehold which will not loosen for a couple of years or more.

In the meantime, many of those who came to help east Berlin shake off its Soviet grimness must content themselves with renting small suites in the west, suitable perhaps for the influx of professional firms such as lawyers and management consultants but a severe constraint on larger operations. Investor/developers must keep their hand in with whatever scraps come available, such as Norwich *Union/Taylor* Woodrow's 2,400sq metres at Uhlandstrasse 14.

Federal and city authorities have grasped the nettle and permissions are coming through as fast as possible. By the end of the year, Treuhand and the city fathers should announce the developer chosen to mastermind the main urban regeneration scheme in the east, the 50-acre Kopenickerstrasse site, east of Friedrichstrasse. Meanwhile, self-build headquarters for both *Daimler-Benz* and *Hertie, the* food group, have received the go-head on Potsdamerplats and Lenne Dreiecke nearby.

Understandably, the lure of Berlin has left Frankfurt in the shadows. Prospects for Germany's premier office centre are difficult to read, and opinions are divided, according to the head of Weatherall Green & Smith's German division, Mr Chris Bull Diamond. Whatever the outcome of the Bonn/Berlin debate, the Bundesbank will stay where it is, but no one really knows what the commercial banks will do.

London, Paris and Spain are the most favoured European locations

Mr Bull Diamond expects a shortage of space for two or three years, which could drive top rents above DM85, but he admits it is difficult to plumb the depth of demand. At that level the market would be very buoyant (costings in the large *Messeturm* were based on DM45 and suites there are fetching DM85), but supply could then catch up fast, especially if the economy *slackens* under the twin impact of world recession and the need to digest the takeover of east Germany.

The Germans themselves remain confident, but for the first time institutions are prepared to admit publicly that they would like to diversify between 20 and 30 per cent of their property holdings abroad. London, Paris and Spain are the most favoured European locations, followed by the US but definitely not *eastern Europe*.

Unification may have given Berlin a shot in the arm, but the lengthening tentacles of the Common Market have not had the same effect on Brussels. Mr Timothy Fenwick, European partner of Jones Lang Wootton, describes an increase in the volume of lettings in the past six weeks, *but otherwise a fairly* lacklustre market.

Prime rents of about BFr9,000 per gross sq metre (equivalent *to about* £18 a sq ft) could be 10 per cent higher by the year-end but investment yields are not likely to drop to the lows of 18 months ago for the foreseeable future. Investing institutions are very yield-conscious at the moment and, in Mr Fenwick's words, "there is a lot of looking but not much in the way of cheque books".

Paris is suffering a degree of *l'attentisme*, with the inner core drawing breath as a number of banks *look to sell their* existing *headquarters* after Société Générale opted for 100,000sq metres of space in the 1m sq metre *Seine Rive* Gauche scheme to be developed in the 13th *arrondissement* by the city in 1994 and beyond.

Nevertheless, vacancy rates in the central ring remain at an enviably low 3 per cent, and this is keeping rents stable if slightly below the peak asking rents of 18 months ago. *Indeed it is not three months* since a record FFr5,000 a sq metre was paid by the couturier Torrente, for No1 Rond Point on the Champs-Elysées.

While that may be a wholly exceptional property, there are signs throughout the market of a widening gap between top quality space at about FFr4,000 to FFr4,500 and even the best of the rest, such as the Banville rebuild in the 17th *arrondissement* near Arc de Triomphe, where little over FF3,000 is feasible.

Christine Moir

■ RENTS: prospective tenants have never had it so good

Going soft in land of plenty

PROSPECTIVE office tenants have never had it so good. Besides being spoiled for choice of premises there are, according to Mr Chris Peacock of Jones Lang Wootton, more concessionary terms available to them than he can recall.

Office rents in most UK centres are continuing to soften and there have been soma large falls.

The City of London is a case in point. At the peak of the market in late 1988 a figure of £70 a sq ft was achieved in the letting to Sun Alliance at Leadenhall Court. Today top asking rents are about £50 a sq ft and most quality new space can be had for between £40 and £45 a sq ft – with a package including rent-free period, fitting out costs, capital sum; or all three. In some cases the landlord will take back the new tenant's existing space or will at least offer some measure of rental cover on rental commitments.

Just how far the landlord is prepared to go in the quest to sign np a new tenant in this competitive market depends on how desperate he is to let the space and/or how hard his financial partners or bankers are pressing him. It will be easier to squeeze on a property company known to be under pressure than to attempt to tie up a similar deal with Land Securities, MEPC (except perhaps if a company wanted at least half of Alban Gate) or an institution. But even institutions admit that they are prepared to be flexible.

Jones Lang Wootton considers that City office rents will continue to fall throughout this year. But it is difficult say exactly how far. Varying levels of sweeteners and incentives on offer mean that it far from easy to put firm figures on real rental levels.

At the end of March this year the firm estimated that the vacancy rate for City offices was about 13 per cent. This was made up of 4.4m sq ft of new space and 5.6m sq ft in second-hand buildings. Of that 5.6m sq ft only 1.5m was in air-conditioned buildings. And it is the new buildings, or at least those which conform to modern air-conditioned standards, that are being taken up. Older, centrally heated buildings which "may not have been refurbished in 40 years just will not let – even at £5 a sq ft".

Jones Lang Wootton projects a City office vacancy rate of 15 per cent by the end of this month and foresees a climh to 21 per cent by the end of 1992. However, at that time only 8 per cent of the vacant space is likely to new. In his opinion it is only then that we are likely to see the bottom of the market.

Current conditions bave meant that new construction starts have all but dried np. Jooes Lang Wootton estimates that in the last six months of 1989 work began on 3.5m sq ft of new space. For the whole of 1990 that figure fell to 2.5m sq ft. But in the first quarter of this year work started on a mare 90,000 sq ft. And it is this dearth of new space to add to the oversupply which will lead to a quick tail-off in vacancy rates for new space, the firm believes.

In the meantima there is still considerable activity in the City letting market which seems to be a little livalier after the Gulf war.

In the first quarter of this year tenants signed up for 790,000 sq ft of space. In April, some 350,000 sq ft was firmly spoken for including two big lettings. C E Heath took 120,000 sq ft at Five Acre Square and a Japanese tenant took 110,000 sq ft at Kumagai Gnmi's 55 Bishopsgate. There is a good deal more in the pipeline.

Top rents are about £50 a sq ft and quality new space can be had for £40-£45 a sq ft

Mr Roger Lister at Richard Ellis confirms "haalthy demand" and says that it is the better buildings in which there is most interest. While he considers that tenants will find it possible to ohtain rent-free periods of 12 to 18 months, he says that it is rare for landlords to give away more. And although there is much talk of further concessions, he says there is little evidence to back this up. Landlords work out what they are prepared to concede in terms of a capital sum and it may be dressed up in various guises to offer combinations of individual concessions.

Talk of tenants demanding shorter leases and thus putting the UK's traditional 25-year lease structure under pressure has been overstated according to both letting agents and institutions. However, tbere are undoubtedly some leases which have been granted for 10 or 15-year terms and others where the tanant has the option of breaking the lease at specific intervals.

In the West End of London there is nut the same scale of oversupply as in the City. Here, says Mr Simon Bakewell of Nelson Bakewell, his guess at the vacancy rete is only abont 3 to 4 per cent. Here there are signs of a two-tier market with the best buildings with the latest fittings and technology letting reasonably quickly while rents for the lower-tier huildings are under pressure.

Rents at the top end have softened. But Mr Bakewell is quoting a figure of £70 a sq ft for the recently completed 51,500 sq ft refurbishment of 25 Berkeley Square by Randsworth Trust. In his opinion the building is the only one of its size and quality available in this location. In this market, albeit competitive, he says tenants are still prepared to pay top prices for exceptional space.

Provincial rents have heen affected by the recessioo, the Gulf war and an increase in supply. In a survey of prime office rents in 40 regional centres Weatherall Green & Smith notes that average rental growth of 1.6 per cent in the last quarter of last year was followed by a fall of 3.25 per cent in the first three months of this year.

Annual growth to March this year was under 4 per cent compared with 20 per cent in the previons year. Rents in half the centres monitored have fallen in the last six months and in a further third they remained static.

The centres which have registed rental increases are mainly located in tbe nortb and in Scotland. However, much of the growth over the last year came in the first half of 1990 with very little since then.

Aherdeen, the only city where demand is well ahead of supply due to the recent upturn in the oil industry has seen rents move up by 50 per cent. But oversupply has led to the greatest falls in Bracknell/ Slough/ Reading areas, the former Golden Triangle.

Relocation continnes to add to demand for regional offices and 1990 saw the highest ever recorded number of organisations moving out of central London. A further 60 planned relocations had heen announced by the beginning of this year.

However, it is a fair bet that tbe reducing differential between Loodon and regional rents – as well as the inability to dispose of existing premises or to raise the anticipated sale proceeds from them may well put a fair proportion of the moves on ice for the time being.

Anne Steadman

■ OFFICE PARKS

Signs of immunity

DISTANCE appears to lend partial immunity to the subzero economic winds sweeping through office markets. While many town centres have caught beavy colds and London is laid low with inflnenza, greenfield business parks are suffering only a slight sniffle, says one of tha sector's leading research groups.

That is not to deny some site owners are groaning with discomfort, according to the latest health check hy Mr Andy King and Mr Steve Bryant at property analysts APR. Take-up slid hy more than 20 per cent last year and many schemes have heen virtually moth-balled. But that was a decline from record levels: "The fact that almost 10m sq ft was absorbed during a recession and around the same amount will be let or sold this year must be considered a success story by any standards," says Mr King.

Not so successful are those who should never have aspired to join this market in the first place. Their so-called parks would have been hard-pressed to attract tenants even in a good year and they can look forward to a lot more pain in future trying to justify decisions to pay office prices for what is really only industrial land, according to Mr Jonathon Walters of Hunting Gate Developments. For some, the only hope of salvation is tapping newfound interest hy institutions in acquiring once-unfashionable "sheds". Or perhaps tapping the demand for bigb-office "flax-tecb" sheds identified by Ms Fiona Denby and Mr Ian Scott at Fletcher King.

Whatever conrsa they choose, the perception of a vast oversupply of office parks engulfing the market should be finally killed. Tbat will please observers snch as Mr James Donald of Strutt & Parker, who constantly insisted that there were no more than a dozen real office parks in the country. This élite group can still attract good returns, particularly now that potential occnpiers have woken np to the fact that the buyers' market will not last forever.

Companies are not looking for cost savings but a better working environment

Rents on parks ontside towns such as Leicester, Northampton, Oxford and Slough match or exceed those in the central business areas. Companies are not looking for cost savings hnt a better working environment and accessibility, says Mr Andrew Jackson of Weatherall Green & Smith.

The relocation trend will continne, he says, gaining strength as the economy recovers and underwritten hy the intention of almost 40 per ceot of existing tenants to expand on the same parks.

Owner-occupiers are a large force, taking almost half the space on office parks last year, says APR. Decision-making has slowed during the recession hnt the fact that they can rarely find big sites in town centres for large relocations means the potential for further developmeot is only just below the surface.

IBM chose a variation on this path by setting up a joint venture with MEPC – its first in the UK – to bny 18 acres of the Rutland Group's 250-acre park next to Heathrow Airport. About 60 per cent of the space will become a new marketing centre for west London.

"Customers need to feel that they can visit us in a convenient location with plenty of car parking – something we could not readily provide on this scale in a town centre," says Mr Brian Moriarty, IBM real estate development programme manager.

That is why almost 25 per cent of the 67m building contract is taken up hy two underground levels of parking for more than 1,200 vehicles, plus another 350 spaces oo the surface. This, along with the prime location, should bring potential tenants swarming around another 160,000 sq ft which will he offered on the open market.

This sort of quality will come to be expected by many companies moving out of town centres, forcing lesser schemes to lower their sights towards customers who are not in the market for landmark huildings and high rents. But with a steady stream of hnsinesses moving relatively sbort distances to find more efficient premises, and hunyant growth forecast around the fringes of the sonth-east over the next decade, some will have little prohlem hitting new targets. Others mnst take wbatever chances that turn up and stop trying to masqnerade as office parks.

David Lawson

Christine Moir examines the Scottish scene

City of culture suffers a hangover

THROUGHOUT tbe second half of last year, as recession deepened in tha sonth, the Scots took pride in tbeir region's resilience. In the property market, rents were still pushing up when those in the south east were crumhling. Yields had moved out, hnt were still at manageable levels, which left something for both developer and investor. Soma sectors and areas wore positively sunny.

Today's landscape has rather more clonds. Conditions are still much better than in the south, but there are prospects of showers. Both Glasgow and Edinhurgh have significant, tbongh diffarent, prohlems, and Aherdeen's new-found growth appears to be besitating under the symbolic overhang of 180,000 sq ft vacated by Britoil.

It was always on the cards that Glasgow would draw hreath after its year-long party as European city of culture (just as next year Dublin will probably be nursing a hangover). In 1988 and 1989, as the city prepared for its turn centre-stage, office yields narrowed and capital and rental growth combined to produce performance of no less than 26.2 and 23 per cent - more than double the 9.9 per cent for the decade as a whole. In cultural year itself there was even more sparkle.

As agents Weatherall Green & Smith noted in their annual report on the Scottish market (published last January), the Glasgow market has always been "characterised by more immediate supply responses to upturns in demand" than is possible in other centres, such as Edinburgh.

For the past two years the city has been a forest of tower cranes, most of which are due to come down around the same time this summer. Amoog a crowd of summer completions are Grosvenor's 40,000 sq ft Sutherland House on St Vincent Street, the 34,000 sq ft block by Nationwide down the road, Kirkstane House, a similar-sized development by Sun Alliance, and the third building in the mammoth Atlantic Quay scheme which is now close to completion.

There is some cause for concern that the office market has been over-cooked

If the letting market maintains its current pace, they will not filled in a hurry. In common with business centres around the world, during the Gnlf War the market went dead. It has not picked up significantly since.

In the past quarter, according to Philip Reid, who is responsible for Scottish offices at estate agents Chesterton, the only sizeable letting was Glasgow Development Agency's take-up of 35,000 sq ft at £16 per sq ft in Atrium Court, now owned hy Singapore Land since the collapse of Rush & Tompkins.

The gloom should not he exaggerated. There is still business being done – at good levels: witness the £18.50 a sq ft paid by Legal & General in the Nurses Pension Scheme building on West George Street. But the £20 barrier may prove harder to burdle than some had predicted last year.

With such a glut of top-grade space, the knock-on effect is obvious: second-hand property in secondary positions are sticking. The question is: for how long?

There is some cause for concern that tbe office market has been over-cooked. Mr Reid, for one, expects take-up to "return to more normal levels after the boom of the past two years". As that seems almost inevitable, Glasgow may have to relearn that culture and business make uneasy bedfellows, and adjust its expectations downwards.

In Edinhurgh, as ever, the key qnestion is whether the city will burst out of its geographical straitjacket. There is no clear answer. Many, if not most, of the planned buildings along the Lothian Road will be indefinitely delayed and will not proceed at all except on the basis of a prelet.

Yet there is strong demand for high tech space in fringe business parks, such as that by Miller Developments, with the result that class 4 rental levels have now reached £16.

Within the central core, too, the plcture is mixed. New or modernised air-conditioned open plan space still appears to be mopping up demand: Scottisb Metropolitao, which already has KPMG and Martin Currie as anchor covenants in its 155,000sqft Castle Terrace, is thougbt to be in advanced talks with possible tenants for the remaining 45,000sqft; only 31,000sqft remains in the bellwether Erskine House, where Coopers & Lyhrand paid £26 a sq ft; prospects look fair for both Pageguild's 51,000sqft Wellington Court and tbe space Scottisb Equitable is now letting-in its self-build.

Demand is, however, visibly selective. There are few takers, for instance, for the traditionally popular Georgian gems in the New Town. What estate agents describe as "a good supply" of these buildings translates into such dismal realities as Sun Alliance's double block in Charlotte square which has been empty for 12 months.

It adds np to a picture where overall demand and supply appear to he in reasonable balance in a modestly active market. That bodes well for a gentle continuing growth in prime rents, hut it is neither sufficient to fuel a hurst in the investment market nor to solve the city's geographical constraints which will pinch once more in the next upturn.

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For further details please contact:
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52 Brown Street, MANCHESTER M2 2AU
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For further details contact the Joint Administrative Receivers M J Moore and C J Hughes (quoting reference Sunstan) at Cork Gully, 5 Albion Place, Leeds LS1 6JP, Telephone 0532 457332, Fax 0532 434567

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FINANCIAL TIMES

ARTS

Macbeth

OPEN AIR THEATRE, REGENT'S PARK

There is an excellent actress in the current season at Regent's Park called Sarah-Jane Holm. She plays Hermia in *A Midsummer Night's Dream*. She is also the first witch in *Macbeth*, and for a moment one thought that this was a stroke of genius: she would be playing Lady Macbeth as well. Unhappily, Ms Holm turns out to be confined to the cauldron.

That is a great pity, for the female lead is played by Nicola McAuliffe who, whatever her talents, is not one of nature's Lady Macbsths. It may be intriguing to play the part with a lisp, though given the acoustics of Regent's Park, it can be dangerous. The words "Glamis thou art" seem to come ont as "Brahms thou art", as if her husband were aspiring to be Beethoven.

Ms McAuliffe speaks her lines in the most matter-of-fact way. When Macbeth tells her about the dramatic experience of murdering Duncan – "Methought I heard a voice cry 'Sleep no more'" – she says "What do you mean?" as if she has not the faintest idea of the intensity of what is going on. When she tells her husband to put on his nightgown before going to bed, it comes as a mild surprise that she does not also remind him to brush his teeth. In general, this Lady Macbeth starts as if she is already on sleeping pills.

As a play, *Macbeth* is always said to be dogged by misfortune. Any production that can survive an opening like Ms McAuliffe's can survive anything, and survive it eventually does. True, there are other infelicities, like tho fight scenes where the shields sound as if they are made of cardboard. But there are strong points.

David Gooderson is a wonderfully amiable porter: not over-drunk and not bitter. Keith Osborn as Macduff speaks the difficult lines on learning of the murder of his wife and children very well. Even Ms McAuliffe paradoxically wakes up when it comes to the sleep-walking scene.

There is freshness, too, in Peter Woodward'a Macbeth. When he utters the line "Returning were as tedious as go o'er", he does it not out of fatalism, but out of a genuine enthusiasm to get on with the fight.

This is the first time that *Macbeth* has been included in the Regent's Park season. William Gaunt, tho director, writes in a programme note that he had considerable apprehensions about it. Yet there is nothing wrong with the ootdoor setting. In many ways it is ideal for the play, woods and all. The production is just a trifle dull.

Malcolm Rutherford

Nicola McAuliffe and Peter Woodward

Sample the taste of Royalty, rajahs and rockstars

Three small exhibitions currently in London reflect the tastes of royalty, rajahs, and rockstars. Silver has always been the consummate expression of rank, wealth, and power, and it may come as no surprise that 19th century potentates east of Snez should have acquired a liking for crystal furniture crafted in Birmingham. But can it really be mere coincidence that Roger Daltrey, Elton John, Jimmy Page and Barbara Streisand number among the keenest collectors of Arts and Crafts carpets?

Coincidence or Zeitgeist may account for the fact that while Sir Peter Maxwell Davies and Flemming Flindt were devising a ballet for Copenhagen about the hapless Queen Caroline Mathilda, the curators of the city's Royal Silver Room were preparing an exhibition of plate based on the 21st birthday banquet of her half-mad husband, Christian VII. Caroline Mathilda was the daughter of Frederick, Prince of Wales and child-bride of her schizophrenic cousin.

A King's Feast – the exhibition of Christian's birthday table resplendent with silver, silver-gilt and gold – was shown in Paris and Copenhagen. Now the gleaming table is laid again at the end of an enfilade of darkly panelled State rooms at Kensington Palace (until September 29).

The influence of the French court is paramount, both on the plate – whether by French goldsmiths or Danes working in the French manner – and on its use. Three days after his return from a visit to cousin Louis XV in Paris in 1769, the young King had ordered a complete reorganisation of royal dining arrangements. Given the fate of the melting pot for so mnch French silver, the table and sideboard groan with rarities. Certainly nowhere in France can one see holdings of 18th century French plate to rival those in Lisbon, Leningrad or Copenagen.

The workshops of the French court goldsmiths Thomas Germain and Robert-Joseph Auguste are well represented here. Three opulent and little known oval tureens – probably Auguste's earliest works – dominate the table, their florid Rococo style tempered by an emergent neo-Classicism. The knops of two are formed by putti fighting over dead game. A foil to the silver of the tureens and plates is the gold and silver-gilt of the royal place settings, each including a spice box and egg cup.

More illuminating than the sickly pink faux sweetmeats that line tho sideboard, are the various essays in the exhibition's substantial catalogue (£35). Tho well-documented court banquets make for fascinating social history. Household accounts reveal that two settings of 17 dishes apiece were presented at Christian's birthday celebrations on January 29, 1770 at 2.30pm in the Christiansborg Palace. We know who was there, how the table was set, but sadly oot what was eaten. A court dinner for eight in 1769, however, offered 11 lbs cured brisket with kale and chestnuts; 80 oysters, roasted and raw; almond cake; wine and lemon jelly; 24 lapwing's eggs; 6 lobsters; salad; and half a saddle of roast venison. What was not wanted would have been distributed, cold and congealed, throughout the household.

It seems unlikely that the members of the present Danish royal family dine as extravagantly as their forebears, but they certainly continue to use their plate. The silver tureens by Durand and Niels Gram the Elder decorated with hounds and falcons, boars and ducks, have to be back home in time for the opening of the hunting season.

Mallett's new premises at 141 New Bond Street offer a window onto ono of the wonders of 19th century Birmingham, the crystal glass manufactories of F. & C. Osler. Osler's monumontal cnt glass furniture was without rival in Europe, and were tours-de-force of invention and technical skill. The firm prodnced the great Gothic crystal fountain at the heart of the Great Exhibition in 1851; their chandeliers and candelabra found thoir way to Osborno and Windsor Castle, the Palace at Khatmandu and the Temple of the Prophet at Mecca. The Lako Palace in Udaipur even boasts an Osler glass four poster bed.

It is hard to believe that the showrooms in Oxford Street and Calcutta exhibited such extravagant speculative pieces as Mallett's 10ft high Islamic style sideboard, and the longcase clock of 1924, a pair to that made for the King of Nepal in 1909. A magnificent 8ft wide chandelier – and the tumbling wall lights – display unexpected delicacy and restraint for examples of High Victorian design.

David Black's show of carpets at 96 Portland Road, W11 (until June 22) celebrates his latest publishing venture: Malcolm Haslam's *Arts and Crafts Carpets* (David Black, £45). West meets East again, this time in the carpet designs of William Morris that are idiosyncratic amalgams of Middle Eastern and Gothic forms. Morris revived hand-made carpet production in Britain; his determination to use natural vegetable dyes forcing him to reinvent lost processes to extract certain colours.

The survey brings together all tho material on Morris & Co carpets, and offers the first full – and handsomely illustrated – account of the Arts and Crafts enterprises that followed in Morris's wake. Most notable are the workshops established in Donegal by the Glasgow entreprenour Alexander Morton in 1902 to provide "Artistic" handknotted carpets for Liberty's. Morton commissioned designs from the likes of C.R. Mackintosh, C.A. Voysey and Rex Silver, as well as establishing an accomplished in-house design team. This soundly commercial enterprise made use of chemical dyes that produced harsher and more fugitive colours, and its carpets never matched the quality of their Morris precursors.

Susan Moore

Jason Donovan

Joseph and the Amazing Technicolor Dreamcoat

PALLADIUM

He sings! He dances! He *smiles*! Best of all, he spends half the show in nothing but a loincloth!...

Yes, *FT* readers, you can stop fretting now. Jason Donovan can perform live in a musical. Weep no more, those of you who've been missing him in *Neighbours*, and hurry along to catch this, his West End debut. He sings, in time, in an agreeable kind of boyish baritone, and with full-throated long top notes. And all that body! And all those teeth! He's simply the most healthily sweet, perpetually teenage and harmlessly pretty thing to happen to musicals since Cliff Richard in *Summer Holiday*.

There is nothing individual or original about either Donovan or the show he appears in. (He and it began life in the same year – 1968.) > He, his music, his words, his colleagues, all are absolutely professional. They press all the right emotional triggers. They rock, they roll, they entertain, they win big applause. If you are a sentimental twit like me, you may even find yourself blinking fast once or twice. But never once do you think "Only Donovan could have phrased it like that" or "That song could only be by Lloyd Webber." That kind of true musical thrill is not what this kind of show ever sets out to provide.

Joseph and the Amazing Technicolor Dreamcoat was, of course, the first important musical by Andrew Lloyd Webber. It was, in other words, the beginning of the end. True, it is a livelier, funnior, more tuneful show than anything he has done since. But whereas a songwriter like Gershwin was and is the cream of jazz, Lloyd Webber has never been anything but the dregs of pop. He is the Jackie Collins of composers. He deals in clichés, and he markets them very successfully.

Indeed, what makes this revival of *Joseph* amiable is that it has such fun with pastiche. You can't laugh at it as you can at other Lloyd Webber stuff, because it laughs at itself and much else besides. The Nashville treatment of "One More Angel in Heaven"; the rock ensemblo "Go, go, go, Joseph"; Pharaoh as Elvis Presley; the French ballad, the tango, the calypso... they're all deliberately anachronistic jokes. The tongue-in-cheek tone is not so far from *Kiss Me Kate* (though a lot more anonymous). Energy and spirits are high throughout.

Steven Pimlott (directing), Mark Thompson (designing) and Anthony van Laast (choreographing) all have a whale of a time. The Egyptian rock-and-roll – with priests and acolytes all living in 2-D, two cheerleaders waving their pom-poms, and Pharaoh giving high-fives to a servant as he descends from his rostrum – is the high point. Another good romp is Joseph's palace, which delivers corn (on the cob) like a giant fruit-machine, with flashing neon lights. The Country-and-Western dance in Act One (eleven brides for eleven brothers) could have been wittier, but the Twenties/Diaghilev version of Potiphar's wife's orgy is clever enough for me even to have wished it longer.

The fact remains, however, that *Joseph and the Amazing Technicolor Dreamcoat* today represents the soft underbelly of 1968. It's superior to much of what has followed in its wake, and here it is revived with great panache – but I can't help seeing it now as a kind of dire omen.

Joseph, I keep having this nightmare. It is tho year A.D.2000. Joan Collins (fresh from her triumphant RSC season as Lady Macbeth, Phèdre, Mrs Malaprop and Piaf), joins forces with Jason Donovan (hotfoot from his Broadway run as Paul in the Lloyd Webber "Acts of the Apostles") to play in Cameron Mackintosh's new production of "Hamlet, My Boy!" at the Olivier. Sometimes I dream that the director is Nicholas Hytner, sometimes Trevor Nunn. Joseph, what could this dream mean?

Alastair Macaulay

Blue Remembered Hills

THE MAN IN THE MOON

Do yon remember when instead of draping your jumper round your neck, you tied it round your waist? do you remember when you *had* a waist? If you do, then you are in the childhood territory mapped out by Dennis Potter's *Blue Remembered Hills*, here in its first theatre version.

Potter's brilliant 1979 TV play used adult actors for the all-child cast. Rural settings gave perspective and context to the action, a day in the life of seven West Country children in 1943. It started in gentle comedy and ended in horror. The result was a mix of *Just William* and *Lord of The Flies* set in that "land of lost content", borrowed – like the title – from A.E. Housman.

This stage version is enjoyable but not essential viewing. The children behave like the composites they are; confusions of comics, sweets, jamjars, Elastoplast and balls of string. Beneath this, they show us their hopes and uncertainties still, as it were, unadulterated. This is a world where saying and doing are synonymous.

The production catches the children discovering rules for getting along together without the safety-valve of social lying which adult sophisticates need. One girl asks: "Am I your best friend?" and hears "Well, I'm best friend to lots and lots." The wit comes when Potter sets the range of adult savoir-faire against the ingénue repertoire available to the child.

The acting is infectious, particularly Paul Brown as Peter, the local bully deposed, and Elliott Nicholls as Audrey the little monster in wellies. Andrew Beynon plays tho stuttering Raymond sensitively, willing to lend out his knife for a day, or to stand on his head for a dare. The ensemble, apart from Giles Thomas as Donald the shunned misfit, are a wonderful brawling, whining, leaderless collection as fickle as an April afternoon. The set is simple and ingeniously done, the forest created with classroom chairs as tree-roots, and the ending a shocking *coup*.

A stage setting of this play, however, is always doomed to lack the inwardness of mental process and the expansiveness of about door set that the TV camera can provido. Potter orchestrated the languor and sadness of childhood together with the discovories and delights; here, the range is missing.

Andrew St George

London Baroque

WIGMORE HALL

The Stefan Zweig series of concerts, run by the British Library, is planned so as to make a link with treasured items in the library's music collections. Sooner or later it was inevitable that an evening would be devoted to Handel and Wednesday's programme duly featured a pair of works, for which tho Library holds either the original manuscript or the next best thing.

Actually only a part of *Venus and Adonis* survives. The autograph score is lost; the recitatives have not come down to us at all. So the soprano in this solo cantata, Lorna Anderson, read the text of the recitatives in an attractive, soft Scottish accent before going on to deliver its pair of contrasting arias. Pure and unaffected singing, which might have sounded even better if joined by a solo instrument, as it is believed that Handel intended.

The main work was *Aci, Galatea e Polifemo*. This is the Italian cantata, not the better-known English masque of ten years later. Handel obviously had an affection for the story and although his first treatment of it lacks tho easy tunefulness that has made the English *Acis* so popular, the Italian one is full of good and arresting music.

In the best Italian style it also has a star – a "primo uomo" who is really an anti-hero in Polyphemus. The role is written for a bass who can stretch from the occasional high note down to many low ones deep in his boots. David Thomas, in a part that might havo been written for him, had all the notes and twice the personality, just as entertaining to hear raging through a stormy aria as he was rumbling like thunder down on a low D flat.

When taken by modern singers, the Acis and Galatea come out as high and low fomale voices respectively, which can feel strange. A less rounded mezzo than Carolyn Watkinson might have cut through tho orchestra better and she only came to life for the last aria, when Galatea (a good Italian girl) goes out in fighting form. Lorna Anderson was heard to good effect in Acis's reflective moments, most notably his death sceno, a marvellously poignant piece. With a sensitive accompaniment from London Baroque under Charles Medlam, this aria seemed as moving and as original in its musical inspiration as anything in the later *Acis and Galatea*.

Richard Fairman

Royal Opening of Symphony Hall

Oo Wodnesday the Queen formally opened Birmingham's international Convention Centre, and the same evening, in the presence of the Princess Royal, Symphony Hall was officially launched, with a gala concert given by Simon Rattle and the City of Birmingham Symphony Orchestra and shared across the country in a simultaneous radio and television relay.

The Symphony Hall promises to deliver to the radio listener a great deal of what audionces will experionce there. Already, it seems, this auditorium has its own "signature"; the rich, highly detailed texture that unfolded in the opening bars of Elgar's arrangement of the National Anthem conjured the extraordinary depth and clarity that performances acquire, and its capability to contain and keep distinct the most massivo complexes of sound was demonstrated consummatoly in Mahlor's Second Symphony, very much ono of the CBSO's party pieces.

For such lato-romantic extravaganzas Symphony Hall will eventually be able to bend its acoustic – provide extra space by raising the saucer-shaped reflector abovo the platform, and extra resonance via the doors that ring the auditorium and issue on to the resonating chamber backstage. But the doors remained closed on this occasion. How their use will alter the effect remains to be seen, but already there is ample proof that a work of such sizo can be accommodated with acoustic room to spare. Rattle has delivered more starkly dramatic accounts of the symphony than this ono; hore he and the orchestra concentrated on conveying its lucid splendour and expressive nuance, with soloists Arleen Auger and Alfreda Hodgson, and the CBSO Chorus on first-rate form.

The CBSO's associate composer Mark-Anthony Turnage also provided his own ten-minute colebration. *Momentum*, commissioned by the BBC for the opening, takes a football chant as the basis for a series of ricocheting transformations, which carry the music through Turnage's familiar bluesy-rock sound world. The method of working with the basic material always lurking in the texture suggested a piece like Ruggle's *Suntreader* more than anything else, but the keening saxophones and stabbing olectric bass had an unmistakable tang, the mixture of sweet and sour, violence and gentle lyricism that characterises Turnage's best music.

Tho concert will be repeated on Sunday.

Andrew Clements

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The 1991 Athens Festival opens nsxt week with a new production of Aida at the Herod Atticus Theatre (Wed, Fri and next Suo), with Natalia Rom in the title role and Vladimir Popov as Radames. The main event the following week is a visit by the Bolshoy Ballet with Giselle (June 26 and 27) and Swan Lake (June 29 and 30). In the first week of July, the Royal Ballet of Flanders gives three performances of Don Quixote, followed by the Moiseyev Folklore Ballet from the Soviet Union. In August there are concerts by the Boston Symphony and Israel Philharmonic under Ozawa and Mehta.

Athens also hosts a jazz festival over the next fortnight, with Jerry Lee Lewis, Chuck Berry, B.B. King, Herbie Hancock and Manhattan Transfer among the artists due to appear at the Lycabettus Theatre.

The ancient theatre at Epidauros, with a capacity of 14,000, hosts a two-month drama festival from June 28, with works by Aristophanes, Sophocles and Euripides. Tickets for all performances are sold et the Athens Festival box office, 4 Stadiou Street, tel 322 1459.

Two towns in central France have international festivals starting tonight. Nimes (tel 066 672802) kicks off with s concert by Sting in the Arena, followed in early July by a week of open-air cinema, a Paul Simon concert (July 13) and a jazz festival (July 16-20). Artists performing at Sully (minitel 3615 fnac) over the coming month includs the Slovak Chamber Orchestra (tonight), James Bowman (Sun), Christian Zacharias (next Fri), the Labeque Sisters (June 29) and Miles Davis (July 12).

Other events of note include Peter Stein's Welsh National Opera production of Falstaff at the Théâtre des Champs-Elysées in Paris (six performances from tomorrow till June 25); Jean-Louis Martinoty's new production of La clemenza di Tito at tha Deutsche Oper, Berlin (five performances from Sun till June 29); and a double-bill of new ballets by Heinz Spoerli and Maurice Bejart at Lausanne (June 18-23), Basle (June 27 and 28) and Zurich (July 2, 3 and 4).

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Japan: Van Gogh'a Utopie, examining the influences of Japanese prints end culture on the life and work of Van Gogh. Ends Sep 22. Daily

Rijksmuseum Chinese Painting: scroll paintings and album leaves from 16th to 19th century. Ends June 20. Also 19th century Dutch and French paintings from the museum's own collection. Ends June 30. Closed Mon

Stedelijk Museum Prints by Charles Meryon (1812-1868), ranked with Piranesi es the greatest of architectural etchers. Ends Aug 4. Daily

BERLIN

Altes Museum John Heartfield (1891-1968): retrospective of the influential Berlin-born photo-montage artist. Ends July 11. Closed Mon and Tues

Kunstgewerbemuseum Fayence from Straleund: an exhibition of 18th century glazed earthenware from the Hanseatic town where the craft of Fayence flourished. Ends July 21. Closed Mon and Tues

Schloss Charlottenburg Imperial Art from the Dutch Exile of Kaiser Willem II: paintings, sculpture and artefacts, including silver and furniture from the time of Frederick the Great, much of which has never left the Doorn estate since 1920. Ends Sep 29. Closed Mon

BERNE

Kunstmuseum Emblems of Liberty: the image of the republic in art from 16th to 20th century, with paintings by Dürer, Veronese, Rembrandt, Goya, Delacroix, van Gogh and others. Ends Sep 15. Closed Mon

DRESDEN

Albertinum Hans Arp and Sophie Taeuber-Arp: paintings, drawings and sculpture by early 20th century Dadaist pioneers. Ends Aug 11. Closed Mon

FRANKFURT

Schirn Kunsthalle Marc Chagall: the Russian years (1906-22), with 250 oils, watercolours, drawings and sketches. Ends Sep 8. Daily

Städel Bruce Nauman: sculptures and drawings 1985-90 by the American artist, who was ewarded the 1990 Max Beckmann Prizs. Ends Aug 18. Daily

Judisches Museum Friedl Dicker Brendele (1898-1944), Jswish artist killed in Nazi concentration camp. Ends July 28. Closed Mon

THE HAGUE

Mauritshuis Portraits in Miniature: 250 miniatures from 16th to 20th century selected from ths Royal and Stadtholders' collectione, some mounted in medallions, bracelets and on tobacco boxes. Ends Aug 18. Daily

LONDON

Hayward Gallery Richard Long (b1945): Walking in Circles, a selection of sculptures, mud works and photographs inspired by walks in landscapes as varied as Dartmoor, the Himalayas and the Sahara. Ends Aug 11. Daily

Royal Academy Summer exhibition, with work by Viera da Silva, Jasper Johns, Willem De Kooning, Norman Foster and many others. Ends Aug 18. Daily

Tate Gallery John Constable: largest-ever aurvey of tha British artist's work, including many unfamiliar examples. The exhibition concentrates entiraly on landscapes, including 188 oils, 121 drawings and watercolours, and four sketchbooks from public and private collections worldwide. Ends Sep 15. Daily

Victoria and Albert Museum Photographs by Lee Friedlander 1956-87, including his acclaimed photos of 1950s jazz musicians, American street life and nudes. Ends Aug 25. The T.T. Tsui Gallery of Chinese Art, housing the V&A's rich Far Eastern collection, is now open. Daily

Walpole Gallery Tha Cinquecento: more than 50 Italian paintings and Old Master drawings, including works by Tintoretto, Veronese and Carracci. Ends July 26. Closed Sun

MADRID

Fundacion Juan March Maria Helena Vieira da Silva: 64 abstract paintings by the Franco-Portuguese artist (b1908). Ends July 7. Daily

MUNICH

Antikensammlung Ceremonial and ritual drinking bowls from Attica: 168 examples from ancisnt Greece. Ends Oct 27. Closed Mon

Kunsthalle der Hypo-Kulturstiftung Marc Chagall: 111 paintings and four wall tapestries from American and European collections. Ends June 30. Daily

Lenbachhaus Expressionist Greetings: 173 postcard originals by members of tha Brucke and Blaue Reiter. Ends July 7. Closed Mon

Villa Stuck Genuine Fake: the art of copying by Mike Bidlo, with numerous startling examples. Ends Aug 18. Closed Mon

NEW YORK

Brooklyn Museum The Blue of Jingtai: Chinese cloisonne enamel vessels mainly from the 18th century Qianlong era. Also Tiffany lamps and glass vases from the early 20th century. Ends June 30. Closed Tues

Metropolitan Museum of Art Masterpieces of Impressionism and Post-Impressionism: The Annenberg Collection, including works by Gauguin, Cézanne, Van Gogh, Renoir and Degas. Ends Oct 13. Also The Art of Paul Manship: retrospective of one of America's foremost sculptors. Ends Sep 1. Also Sculpture of Indonesia. Ends Aug 18. Closed Mon

Museum of Modern Art Ad Reinhardt (1913-67): the first full-scale retrospective. Ends Sep 2. Also The Gardens and Parks of Roberto Burls Marx, 20th century landscape architect. Also Seven Master Printmakers, showing how Hockney, Rauschenberg and others redefined possibilities for print in the 1980s. Ends Aug 13. Closed Wed

PARIS

Centre Georges Pompidou André Breton (1896-1966): wide-ranging exhibition recreating the aesthetic world of one of the leading theorists of Surrealism. Ends Aug 26. Closed Tues

Galérie Daniel Malingue Moise Kisling: retrospective of the Polish-born member of tha cosmopolitan Ecole de Paris. Ends July 14. Closed Sun

Galérie Schmit French Masters of tha 19th and 20th centuries: annual exhibition dominated this year by a jewel-coloured Rouault. Ends July 18. Closed Sun

Grand Palais From Corot to tha Impressionists. Ends July 22. Also Seurat retrospective. Ends Aug 12. Closed Tues

Petit Palais Germanic Designs: an exhibition drawn from tha Albertina collections in Vienna. Ends July 21. Closed Mon

Louvre, Pavillon de Flore Spanish Drawings: Masters of the 16th and 17th centuries, with works from the Louvre and Spanish museums. Ends July 22. Closed Tues

Louvre des Antiquaires Seating power: the historical development of seats as furniture, including a maharajah's throne, guilded Louis XIV armchairs and art nouveau chairs. Ends Aug 16. Closed Mon

Louvre, objets d'art department A newly opened room housing the Edmond de Rothschild donation, ranging from Hellenistic goldsmiths' work to Watteau and Fragonard drawings, Sèvres porcelain and 18th century French furniture. Closed Tues

Cartes musées available at all metro stations and museums, to avoid queuing at 80 museums including the Louvre, Musee d'Orsay and Versailles

VENICE

Fondazione Cini Michelangelo and the Sistine Chapel: photographic and scientific documentation of the restoration, prints by artists inspired by the frescos and a group of original preparatory drawings by Michelangelo. Ends July 28. Closed Mon

VIENNA

Albertina Dutch drawings from the Abrams collection. Also drawings by Swiss artist Martin Disler (b1949). Ends June 30. Daily

Kunstforum Länderbank Kokoschka retrospective. Ends June 23. Daily

Kunsthistorisches Museum Gold from the Kremlin: 100 works from the era of the Tsars, many never previously seen outside Moscow, including the golden crown of Peter the Great. Ends Sep 1. Closed Mon

Museum of the 20th century Image-Light: developments in non-material forms of painting, such as those consisting only of light and pure colour. Ends July 7. Closed Wed

WASHINGTON

National Gallery Robert Rauschenberg (b1925): 150 examples of the influential American artist's recent work. Ends Sep 2. Daily

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Trading blocs and the Gatt

THE passage by Congress last month of the extension of the president's "fast-track" trade negotiating authority has, as hoped, breathed life back into the Uruguay Round of international trade negotiations. It has also been followed by the inauguration this week in Toronto of negotiations intended to lead to a North American free trade agreement, embracing the US, Canada and Mexico.

Some fear and others hope that the formation of such trading blocs would undermine liberal global trade. Hopes and fears are misplaced. Free trade areas may stimulate global liberalisation, but they are also no substitute for the Gatt.

The US is, in any case, not the initiator of this policy. It is, instead, following the example of the European Community, a customs union itself and the centre of a web of preferential trading arrangements. Even now, the EC is negotiating a European Economic Area with the seven members of the European Free Trade Association and is discussing new agreements with the countries of eastern Europe as well. The EC has long argued that such agreements do not undermine the Gatt. If so, what is sauce to the EC goose is also sauce for the US gander.

Gatt provisos

Free trade areas, like customs unions, are allowed in the Gatt, subject to two provisos: first, obstacles of the members to external trade shall not be more restrictive after formation of the free trade area than they were before; second, obstacles to trade within the free trade area are to be "eliminated on substantially all the trade between the constituent territories in products originating in such territories".

The first requirement is intended to minimise the extent of "trade diversion", the switching of trade from more competitive external suppliers. The second is designed to ensure that the number of free trade agreements is limited by the intensity of the required political commitment.

Unfortunately, far too many of the agreements that have been accepted in the past, notably among developing countries, fail to meet these standards, particularly the second. The exclusion of agriculture from the EC's agreements with Efta makes even their consistency with the Gatt questionable. But the US insists that Nafta will be compatible with the Gatt. If so, it cannot be open to any formal objection.

Capitalist colossus

Should it be regretted, none the less? Almost certainly not. A working free trade agreement between two of the world's richest countries, one of them the colossus of capitalism, and a struggling developing country will prove a test bed for global liberalisation. More immediately, it should become a nucleus for the desperately needed entrenchment of liberal economic policies, first in Mexico itself, but subsequently – following an early extension to Chile – throughout the Americas.

Nevertheless, such a "bloc" cannot be a substitute for the Gatt, for two reasons: first, because free trade areas always leave the external trade policies of their members free; second, because the trade areas now under discussion will exclude a substantial part of the trade of at least one participant. Almost half of US exports, for example, goes to developed countries other than Canada. Free trade areas can even be a spur to wider liberalisation. This is partly because the costs of trade diversion to a participant are greater the higher its barriers against the rest of the world and partly because the rest of the world will seek liberalisation from any free trade area that includes the US or the EC.

Nevertheless, regional free trade areas – unlike the more supra-national customs unions – should not be a final destination. The economic arguments for regional liberalisation are no different from those for global liberalisation. The difference is feasibility. The world may not soon be ready for liberal trade. If so, the best follow up to the Uruguay round may be to extend Nafta to any country, developed or developing, willing to abide fully by its rules. Such an offer would be consistent with the history of imaginative US trade policy. It would also challenge the world to another huge leap towards liberalisation.

The challenge to Walesa

GETTING through 1991 was always going to be difficult for the fragile democracies of east and central Europe. It has been made tougher by the Gulf crisis and the collapse of trade with the Soviet Union.

The signs of strain are currently most acute in Poland where unemployment is rising, many enterprises face bankruptcy, and hope that sacrifice will bring prosperity is fading.

Poland was the first to throw off Communist party rule, but still has a parliament dominated by communists guaranteed seats by the 1989 "round table" agreement. The government led by Prime Minister Jan Krzysztof Bielecki also has a credibility problem. It derives its authority not from parliament and the people, but from President Lech Walesa, who chose it after his own democratic election last December.

This week Mr Walesa rejected a new electoral law as too complex and too likely to result in an unstable parliament of many small parties. The president proposed to bypass parliament and grant the government powers to take urgent economic decisions by decree. He also recommended the setting up of a special police unit to investigate the role of former communist "nomenklatura" members in the emergent free-market sector of the economy.

Like so many of Mr Walesa's interventions, his latest move seems like a mixture of shrewd political common sense and ambiguity bordering on demagoguery.

Painful adjustments

Poland needs a democratically elected parliament capable of sustaining a government intent on carrying through the painful adjustments needed to transform the old command economy into a market system. The shape of the electoral law is relevant to this. A law which permitted too many small parties would probably lead to unstable coalition governments. A series of weak governments could also, by default, give disproportionate power to the president.

Poland needs a strong and democratically elected government to persevere with the tough policies which have won it the respect and support of the international financial community.

Thus far Mr Walesa has publicly supported both the government and his finance minister, Mr Leszek Balcerowicz, the main architect of the stabilisation plan. His demand that the government be given greater economic powers could be construed as proof that his trips abroad have convinced him that Poland has no alternative. He has certainly been told that current policies are the condition not only for international financial assistance but also for the foreign equity investment that Poland needs.

Political suicide

The problem is that his apparent support for the government has been undermined by insistent demands from some of his closest advisers, such as the Kaczynski brothers, for reflation.

The reflators argue that with elections looming in the autumn, provided parliament approves a revised electoral reform, it would be political suicide not to change course.

Looking over their right shoulders they see Mr Stan Tyminski, the Polish-Canadian populist who gained nearly a quarter of the votes at the presidential elections. Over their left they see protest votes flowing back to a "reformed" Communist party. They fear that their old Solidarity support is eroding faster than growth of a new middle class, whose emergence is still on the distant horizon.

These are genuine fears held by shrewd political operators, who know Poles well. They want to build a centrist catholic bloc similar to the CDU in Germany as the solid base for the political future of a democratic Poland.

But the bottom line for Poland is that reflation now is more likely to boost inflation than promote growth. President Walesa should use his influence to tell Poles unequivocally that there is no alternative to the bitter medicine now being swallowed if inflation is to be beaten and the basis for future prosperity laid. The alternative is a return to hyper-inflation and Soviet-style economic disarray, and no Pole can want either.

Yeltsin will now take on Russia's Communists, writes **John Lloyd**

A mandate for change

Earlier this week, at a party at the home of a middle-ranking military officer in Moscow, the conversation turned to the forthcoming Russian presidential election. The talk became gloomy. Yeltsin would win, the officers agreed, and with his victory would come an anti-communist reaction: they might soon be hanging from the lampposts.

It was not entirely serious, but nor was it entirely a joke. Mr Boris Yeltsin, who now seems certain to become the first president of Russia on the first ballot, inspires feelings of dread as well as of admiration. To suggest that a man who was until two years ago a senior member of the Communist party, and who chose as his vice-presidential running mate a (reform-minded) member of the Communist party, would instigate or encourage a bloody purge is loose talk. But there is little doubt that Mr Yeltsin will use the power to which he now has access to attempt to dethrone the party apparatus from its position throughout Russia.

He has promised as much, saying that he will call elections for the heads of councils (soviets) in short order, seeking to replace the often unelected functionaries with people who would owe their position to a popular mandate, as he now does.

As a shrewd politician, he will see the advantage of capitalising quickly on the surge of support, especially in the big cities. The radical "ticket" has swept the board: Mr Gavril Popov is elected mayor of Moscow, Mr Anatoly Sobchak mayor of Leningrad – which, most of its citizens also indicated, should be renamed St Petersburg. It is a solid success for men whose programmes were less than clear, but who have fairly consistently championed democratic procedures and a rapid shift to the market.

Now, with Mr Yeltsin in place, the fissiparous tendencies already apparent among those who have been calling for democratic reform and for sovereignty for the republics will become more manifest. Mr Yeltsin's agreement with Mr Mikhail Gorbachev, the Soviet president, and the eight other republican leaders of April 23, which breathed life into efforts to secure a new union treaty and an economic agreement, caused the more radical of his followers to break with him. He will lose more if and when he makes himself responsible for harsh economic measures.

The 16 autonomous republics of Russia fear that Mr Yeltsin may wish to reduce the limited rights they now enjoy: only Tataria went so far as to refuse to take part in the Russian elections, but the others are watchful. Even his closest supporters admit he is given to the populist gesture and the quick fix.

Yet, since moving away from confrontation with the centre in April, Mr Yeltsin has stuck to his word and his deed. He has publicly said that he believes a union agreement will be ready to sign next month, and he has refrained from the attacks he made on Mr Gorbachev in the first three months of the year – attacks which were accompanied by huge demonstrations on the streets of Moscow and other cities.

Now, from a position of great popular power, he must take new stock of Mr Gorbachev and vice versa. During impromptu remarks at the polling station on Wednesday, Mr Gorbachev sagely noted that "there can simply be no union without Russia", adding more pungently "but in its turn, Russia is also in need of the Union". The first of these points is self-evidently true: in his flush of victory, Mr Yeltsin may feel tempted to ask an unelected, unpopular Mr Gorbachev whether the second has as much weight.

It does. By committing himself to the path of negotiation and compromise, Mr Yeltsin has already recognised that he cannot do much for the country he leads unless the Soviet Union transforms itself. The new union and economic agreements are the most important: at their core is the definition of the relative strengths of the centre and the republics. Mr Gorbachev still clings to the formula of "strong republics, strong centre", while many of the republics favour a centre shorn of much of its strength, without even – this is one of the main points of disagreement – tax-raising powers of its own. As the elected head of a republic three times as big as the next largest – the Ukraine – Mr Yeltsin will carry the standard for all of his republican colleagues.

Boris Yeltsin flourishes his ballot paper before casting his vote

He also wants a great deal which the centre "owns", inasmuch as any identifiable body owns anything in the Soviet Union. In particular, he wants the oil, gas, gold and timber resources to follow the coal mines in being transferred to Russian control – a pitch which is now being made behind closed doors, and whose success will depend on a deal in which the centre is able to lay claim to some of the hard currency revenue.

Mr Yeltsin's victory has underpinned the already evident swing back towards a market orientation in economic strategy: in particular, it lends strength to the efforts of Mr Grigory Yavlinsky, his former deputy prime minister and still his adviser, to craft a reform plan using western assistance. Mr Yavlinsky's plan, drawn up with the aid of US experts, is now complete, and goes to Presidents Bush and Gorbachev over this weekend. It is aimed at providing a basis for the discussions between the Group of Seven leaders and the Soviet president at their summit in London next month, and it will call for the most dramatic of economic and political reforms.

It cannot be attempted without agreement between Russia and the Soviet Union at its core, and it cannot hope to succeed unless the Russian government and the Soviet government show a level of commitment to ride political trouble and to push through reforms – on free prices, privatisation and rouble convertibility – at which they have hitherto baulked, either from fear of the party and administrative apparatus or fear of the people. Laws which are friendly to reform and to foreign co-operation are now being pushed through the Supreme Soviet: in particular, a draft law on foreign investment, which passed its first reading earlier this month, could go a long way towards providing a legal base for the operations of overseas corporations.

But the Soviet Union, or its constituent parts, will not be able to attract a significant amount of the investment it needs until it provides a stable political, economic and legal order. Mr Yeltsin is the critical element in such an order.

The forces which have put him into power are diverse and often contradictory. He was the candidate of the intelligentsia, which tends to be western oriented. But he is also carrying the votes and aspirations of many Russian nationalists, whose numbers and influence may grow as times get harder and Russia is seen to be suffering under a foreign-imposed yoke. To establish stability, he will have to encourage the growth of parties and social groupings which are independent of him and of the Communist party and will express these currents.

There are already signs of such groupings. The Democratic Russia Group which has been his main support is an umbrella rather than a party – but under it are social democrats, liberals and others. Mr Eduard Shevardnadze, the former foreign minister, has himself called for an assembly of democratic forces (and will be disciplined by the Communist party to which he still belongs because of it). One of Mr Yeltsin's competitors, Mr Vladimir Zhirinovsky, is leader of the all-union Liberal Democratic Party which pitches its appeal to what might be described as the centre but which has so far proved to be a cross between a joke and a provocation. In every republic, especially the Baltics, political differentiation is well advanced.

Similarly in the economy, there are signs of a tide which Mr Yeltsin may be able to ride – notably the growth from below of private business activity. In every part of Russia, the old state structures are dissolving as people take matters into their own hands; chaotically, new privatised enterprises are springing up, fending for themselves and forging new links. The process is often corrupt or close to it: but that was never to be avoided. It is grossly inegalitarian, since – as in Poland and Hungary – those who have had access to the levers of power now seek to turn them into cash.

Mr Yeltsin will have to struggle hard to prevent his new, inexperienced government being tainted by that world. Still, the spirit of enterprise is alive and it is escaping from beneath the rubble of the state. He has been its most consistent advocate, and is thus best placed to extend it and raise it from the grey world it has been forced to inhabit.

A ticking off for twenties

Barry Riley finds high-value banknotes inconvenient

I've personally nothing against Michael Faraday, who was perfectly splendid at electrolysis, but do we really need him and his new downsized £20 note, which was introduced on June 5 as a replacement for the version which had William Shakespeare on the back?

After all, there is a perfectly good £10 note and a £50 note too. We don't appear to require a £2 coin (at least, not regularly, although one was once issued in small quantities) to bridge the gap between the £1 coin and the £5 note. So why do we need a £20 note, which I find extremely inconvenient?

Next year a new compact £10 note will be introduced with Charles Dickens taking over a stint on the back in succession to Florence Nightingale. But Dickens should not have any great expectations, because he will be too late to enjoy much of a spell in the nation's wallets if the £20 conspiracy is allowed to run unchecked.

I suspect that few people ever actually choose a £20 note. In many shops it is greeted with suspicion and held up to the light (because forgers naturally prefer to print them rather than lower denomination notes). Even if genuine the note can then be the cause of delays while extra small change is called for. Many people use credit or debit cards for transactions of £20 or more, so have no practical requirement for a note of this denomination. And try buying a newspaper or a bus ride with one, if you want to become unpopular.

But public preference does not come into it. Why? Because the £20 note is an unexpected product of the machine age. Banks like to fill hole-in-the-wall machines with them because that way they will hold twice as much money, or alternatively they only take half the time to load, compared with £10 notes.

It was different when most people drew cash over the counter. "How would you like the money, sir?" In those circumstances the wishes of the public could indeed be responded to. Many years ago a friend of mind used to draw out all his cash in 10-shilling notes because he felt richer that way. That was going too far. But cash is there for the convenience of the public, not for the bottom line of the banks (however much the bankers wish that cash could be abolished).

The tyranny of the automated teller machine is now becoming not just irksome but positively infuriating, because of a strange technological asymmetry. While the machines that deliver cash now only seem to disgorge £20 notes, plus perhaps a couple of makeweight fivers, the machines that accept cash do not recognise that £20 notes exist.

Returning to Gatwick Airport recently, I reached for my wallet to feed an automatic car park machine. Before leaving the UK I had stocked up with sterling cash for just such a contingency. But I found that I had only £20 notes, which the car park device would not accept.

There are many examples of this. You cannot use £20 notes in a London Transport ticket machine. Even closer to home, there is an automated teller machine within the Financial Times building which disgorges £20 notes that cannot be fed into the adjacent vending card recharger which prefers – you guessed it – tenners.

I fear that only a vigorous campaign on the part of the public will push back the imminent tidal wave of Faradays, beloved as they are of bankers. Many years ago now C. Gordon Tether mounted a campaign in the Lombard column to "save the sixpence". He failed, and in the case of that crevice-loving coin perhaps he deserved to. But the £10 note, albeit not enjoying the purchasing power that it used to, and due to suffer a 10mm physical shrinkage next year, is still a substantial unit of currency and merits a better fate.

We must not be dictated to by ATM-stuffers, and it is time to proclaim a new slogan: "Treasure your tenners!"

OBSERVER

Ranger's good old boys

■ Who's going to step into the shoes of Jack Pierce, founder of Canada's Ranger Oil, who died last weekend? Ranger was one of the great successes of the early North Sea oil boom and right to the end was Pierce's personal fiefdom. Whatever his faults, he had a nose for finding oil.

As independent oil exploration companies go, Ranger is not big these days. It never went in for issuing lots of paper for acquisitions like some of its rivals. But Ranger's importance is higher than its size suggests. For example, Pierce was a founder of Lasmo, a company now more than twice as large as Ranger.

Simon Reisman, who stepped up as chairman yesterday, has to be regarded as a stopgap. A former civil servant who made his name as Ottawa's chief negotiator for the US-Canada free trade agreement, he is within a week of his 72nd birthday and unused to the rough and tumble world of the independent oil men.

Heir apparent would seem to be chief operating officer Fred Dyment. But, oddly, he does not sit on the main board which is going to exercise the powers of the chief executive, whereas there is a seat for Alan Henderson, London-based director of corporate relations and part of the Henderson/Cazenove family.

Seeing that so many Cazenove partners have put their children through school on the profits they made on Ranger, it would be surprising if this well connected old boy network did not have something else up its sleeve.

Who benefits?

■ One of Observer's colleagues dabbles in conspiracy theories, based on the cui bono principle. It's probably the result of spending too long in the Middle East.

For instance, he used to claim that Arnaud de Borchgrave and Robert Moss, authors of The Spike (a novel purporting to show that most of the western media were manipulated by the KGB through a liberal Washington thinktank), were themselves KGB agents, tasked with discrediting anti-communism by crying wolf too soon and too often. Absurd, of course.

Now he has come up with another, equally far-fetched. He thinks Nicholas Ridley and Patrick Robertson are in the pay of Jacques Delors, sent to infiltrate the anti-European wing of the Conservative Party and destroy it from within.

Ridley after all was a self-proclaimed European federalist back in 1969, while Robertson, founder and secretary of the Bruges Group, boasts of his continental connections and upbringing. And what has done more to sabotage the anti-European cause than Ridley's Spectator interview last summer (which led to his own resignation from the cabinet) – except perhaps the Bruges Group's intemperate attacks on John Major?

"I love the Tory Party so much I'd like to see two of them."

Transfer 1

■ Having introduced football clubs to raising money through debentures offering holders little more than a seat with their name on it, Graham Watson is hanging up his boots at Edinburgh's Noble Grossart merchant bank.

With his assistant Mark Walker, who devised the £16.5m issue that has so far raised £5m for Arsenal, he is setting up a sports management company. It is backed by David Murray, the Scottish businessman who controls Glasgow Rangers. The Watson-devised Rangers bond, launched last year, has so far been 80 per cent taken up.

Called Carnegie and based in Edinburgh, the new company will help sportsmen and clubs in fields such as golf, football, motor-racing and rugby to manage their strategies and finances. Projects such as the Arsenal bond will be only part of the service.

So it seems that, unlike some other ex-directors of Noble Grossart, Watson won't be going into direct competition with his former employer. Indeed he will still be under the eye of Angus Grossart, the creator and chairman of the bank.

Grossart is a director of Murray International and Noble Grossart Investments is, with 7 per cent, the biggest shareholder in Murray International after Murray himself.

Transfer 2

■ Meanwhile another Graham Watson – also a Scot in banking – is believed to have also handed in his notice. While he refuses to confirm his impending departure from his job as the HongKong Bank's press man in London, his superiors are already looking for a replacement.

What's more, I hear he has accepted the poisoned chalice of being the mouthpiece of Jacques Attali, mercurial boss of the European Bank for Reconstruction and Development. Brave man.

He certainly has the right credentials. A professional interpreter by training, he is fluent in French, German and Italian, and has an Italian wife. His political skills were honed in the mid-1980s when he ran the private office of former Liberal leader Sir David Steel.

Talking head

■ As Britain's Liberal Democrats rise in the opinion polls, their leader Paddy Ashdown may be overtaking Labour shadow chancellor John Smith as one of the most sought-after guests in City boardrooms. Not that he is always available: Ashdown is not a big lunch man.

Yesterday he addressed the annual Claridge's lunch given by Euram, the headhunters. The message: a Liberal Democrat government would be less interventionist than Labour and more market-oriented than the Tories. He went down very well and left before pudding.

Euram has a habit of backing politicians on the way up. Last year's speaker was Michael Heseltine.

Missing link

■ A visitor to Moscow watched fascinated as the first of two workmen on the street pavement dug a hole, after which both paused for a while before the second filled it in. They then moved on five yards and did the same again.

Eventually, the visitor went up and said: "Excuse me, may I know what you two gentlemen are doing?"

"Actually there's three of us," came the reply. "But our mate's off sick today – it's his job to plant the trees."

Sweden comes in from the cold

After decades of isolation, the country has finally decided to embrace the EC. Robert Taylor reports

Sweden's prime minister Ingvar Carlsson is expected to make a symbolic journey to the Hague on July 1 to hand in his country's application to join the European Community. It will signal a clear and unequivocal end to Sweden's self-imposed political isolation from western Europe.

For many Swedes the trip is long overdue, a belated recognition that their future lies inside the EC. Today the Swedish parliament due to make a declaration setting out the country's intention to join the Community — a statement which will amphasise the broad national consensus that the country should becoma a full EC member as soon as possible. Its main aim is to convince public opinion that joining the EC will be compatible with maintaining Sweden's traditional neutrality in defence and foreign policy.

The speed of Sweden's political conversion to the EC cause has been surprising. It was only as recently as last October that the ruling Social Democrats announced — as part of an emergency economic crisis package to restore overseas financial confidence — that it was Sweden's desire to seek EC membership.

In practice, the Social Democrats have moved a long way since gaining power in September 1982 to reshape the economy through the development of a free-market strategy. The gradual removal of financial restrictions which culminated in the abolition of foreign exchange controls on July 1 1989 was a clear recognition that Sweden as a small, tariff-free economy had no alternative but to embrace free trade and capital movements. Until the mid-1980s Sweden exercised tight curbs on the movement of money to protect its financial system from foreign encroachment. But these regulations increasingly came to be seen as an obstacla to economic growth and thus to the country's ability to compete with its main trading rivals.

Moreovar, the decision by Sweden's central bank last month to peg the Swedish krona to the European Currency Unit (Ecu) made it clear to international markets that the country had abandoned its traditional readiness to devalue the currency to make Sweden more competitive.

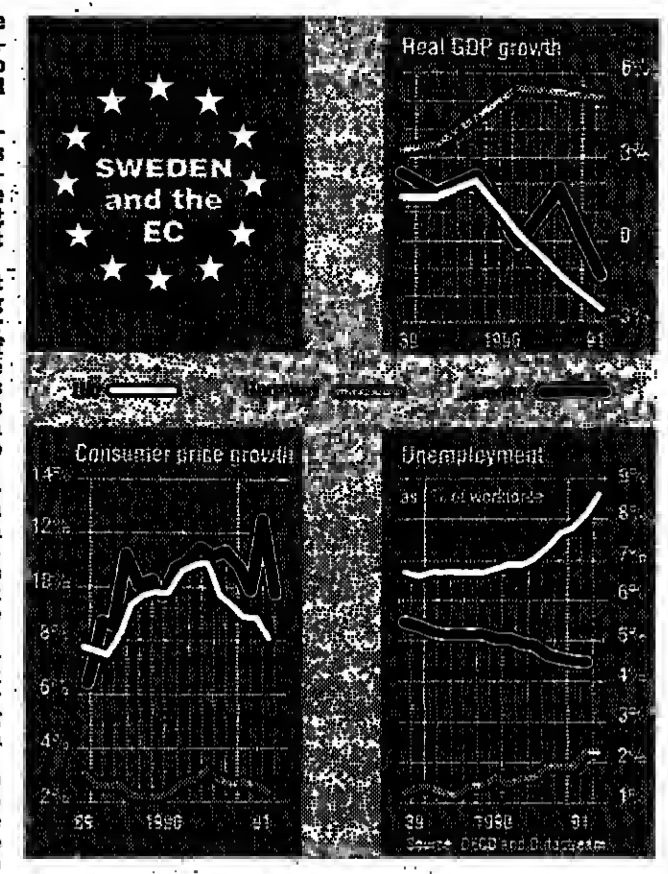
Both Mr Bengt Dennis, the governor of the central bank, and Mr Allan Larsson, the finance minister, have stressed that Sweden's economic future is tied irrevocably to that of the EC. Indeed, they wish to see the krona enter the exchange rate mechanism of the European Monetary System as soon as Brussels will permit it. They see this as the next step to Sweden's participation in the process leading to full European economic and monetary union.

Over the past year the government has speeded up its economic liberalisation measures to meet the challenge from Europe's single market after 1992. Several important reforms are now under way:

- The highly protectionist agricultural system is being dismantled over a five-year period with the phasing out of subsidies for farmers and the aventual removal of controls on imported food. Sweden's monopolistic retail distribution sector is also being opened up to greater competition.
- A new tax system was introduced last January, which shifts the burden of taxation from personal incomes to goods and services. It is designed to improve work incentives and to create a more entrepreneurial climate.
- The government has promised to cut the value-added tax on food next year from 25 per cent to 18 per cent to bring food prices more into line with those in the rest of the EC.
- Efforts are being made to introduce market forces into public services. A programme of partial privatisation will be introduced within the next two to three years in the state-run otilities, forestry and mining industries.

Thesa adaptations ara designed to make Sweden's economy more responsive to external competition, particularly from the EC. Over the past six years the country has also started to incorporate EC regulations into its domestic laws. Since 1984, Sweden, as a member of the European Free Trade Association, has been involved in the creation of the 18-nation European Economic Area — which aims to bring Efta members and the EC into a more integrated economic grouping. Sweden has increasingly viewed participation in the EEA as a transition to full EC membership. This is certainly the opinion of many large Swedish companies.

Over tha past four years corporate Sweden has become virtually a *de facto* EC member. The direct net outflow of Swedish capital into the EC rose from Skr10.4bn in 1987 to SKr59.1bn last year. Companies such as Volvo, the auto group, the pulp and paper companies Stora and SCA, Ericsson, the telecommunications giant, and the engineering company Asea-Brown Boveri, have all made aggressive acquisitions inside the EC since 1988.



Their determination to establish a strong presence within the EC stemmed in part from two worries: first, that they might be left ontside the enlarged and barrier-free European market, and second, that they might face trade discrimination in future. But it also reflected the view of the big employera that their operations needed to he located much closer to their customers to cut transport and distribution costs.

There were added doubts about the difficult business climate within Sweden as the country's economy began to suffer in the late 1980s from high unit labour costs, skilled labour shortages and threats to cheap nuclear energy supplies from environmental protesters.

This trend undoubtadly alarmed the ruling Social Democrats and particularly their powerful allies in the blue-collar trade unions who feared the corporate exodus into the EC would mean joh losses at home among their own members. Fears about the EC were widespread inside the party and the unions where many felt it threatened the Swedish model of solidarity and consensus based on full employment and a strong welfare state.

That negative attitude is rarely heard today. Both among the Social Democrats and among union leaders there is widespread support for joining forces with their EC colleagues to combat unemployment, strengthen the campaign for an EC with strong social rights for workers, and join in co-ordinated efforts to clean up the environment. As Mr Carlsson puts it, Sweden wants to join the EC not only to embrace free-market principles bnt also to spread its own social message.

The economic arguments for Swedish membership of the EC were mounting long before last year, but until last October the traditional Swedish commitment to its policy of neutrality looked as if it would prove an immovable obstacle. It was this issue that prevented a Swedish application to Brussels in the early 1960s and again in 1971-72 when the then prime minister Olof Palme was known to favour Swedish entry.

However, the end of the cold war and the collapse of communist regimes in eastern Europe has led Sweden to reassess its position. The concept of neutrality has never been enshrined in law, but is a pragmatic recognition of Sweden's nstional self-interest. Because neutrality has always been a flexible doctrine, Sweden now feels that membership of the EC and the concept itself are no longer incompatible. Brussels may view the matter differently, however, and it may still cause problems. At the moment Mr Carlsson sees Sweden, together with Ireland and Austria, if it also becomes an EC member, remaining outside any defence alliance that might emerge within the EC.

There is undoubted popular support for Sweden's EC membership application across western Europe. Bnt some donbts persist among poorer sonthern European countries, notably Spain, which fear Sweden's entry might tip the balance of power towards the more affluent northern industrial Europe.

Negotiations are expected to begin with Sweden as well as with Austria in early 1993. Norway and perhaps Finland and Switzarland might also have applied to join as well by then. Mr Carlsson hopes Sweden can become a full EC member as early as January 1 1995 after the approval of a referendum on the entry terms at the 1994 general election.

The timetable may be too ambitious and problems may emerge as serious talks start. But today Sweden — with a mixture of hard-headed calculation and idealism — appears to have made up its mind. The national consensus behind the cause of EC membership looks impregnable.

Joe Rogaly

Tories off the charts

Something is going wrong. The Conservatives should not be losing ground quite so fast. They have dropped 10 points in the polls since January. Labour has held steady; the statistical beneficiaries have been the Liberal Democrats. The net effect is to put Labour 10 points ahead.

This should not be happening. The Tories ditched their unpopular leader six months ago. They are led by a well-liked prime minister who performed hrilliantly during the Gulf war and, after it ended, boldly did away with the poll tax. A series of half-point cuts in interest rates has started to work its way through to mortgages. We are a fortnight into a new series of ministerial speeches attacking Labour. These are all positive factors.

Yet down and down they go, to the point where you have to ask yourself — could there be an anti-Tory landslide? Unlikely as this may seem, we will be obliged to consider such a prospect if the deterioration continues. By an anti-Tory landslide I mean a result lo which Labour takes 40-45 per cent of the vote, with the Conservatives in the low 30s and the Liberal Democrats in the high 20s. That would be the mirror image of what happened in 1983 and 1987, when Labour was the victim of similarly cruel arithmetic. It would also constitute the most improbable turnaround in the history of British elections.

Snch a landslide could, however, occur if uncommitted voters were so disenchanted after 13 years of Tory government that they wanted a change at almost any price. Those who no longer fear a Labour government would vote for Mr Neil Kinnock's party; others would abstain or rest awhile with the Liberal Democrats. An electorate of such a fed-up cast of mind is unlikely to be persuaded to return to the Conservative fold. If the election had been held a week ago, when sampling was in progress for the latest ICM/Guardian poll, the result would have heen Labour 44 per cent, Conservative 34 per cent, Liberal Democrat 17 per cent. Labour would enjoy a solid majority of around 70. The Gallup poll in last week's Daily Telegraph put the Liberal Democrats at 21 per cent, with Labour at 41.5 per cent. The theoretical result is still a majority Labour government.

In real lifa the election need not take place until another year has passed. There is time for recovery. The conventional observation is that it all depends on the economy. If we are pulling ont nf the recession by the time polling day comes, if inflation then stands at 4 per cent, the base rate at 10 per cent or less and mortgages correspondingly lower, the government should win another term of office. But ths correlations are no longer holding true. The cost of borrowing is falling — and so is support fnr the Tories. The mortgage rate has come down hy 1.55 percentage points since March; the level of Tory support has fallen even faster. Conservatives must place s great deal of faith in time-lags not to be discomfited hy this.

Mr Major will need a whole summer of vigorous speeches to penetrate the public consciousness

As a plodding student of charts and graphs, I have to acknowledge that those who regard analytical aids with scepticism may have a point. Politics, the science of gut feel, appears to be changing the rules. You *can* measure many of the apparent causes of the Conservatives' decline, such as the sharp rise in unemployment, or the growing perception that Mr Major is not a firm leader of a united party. What cannot he assessed by numbers is the weight of a change in the public mood.

This should not be exaggerated. Labour still fails to arouse the excitement of 1964, the last time a Conservative government was toppled after 13 years in power. The Liberal Democrats, who are doing well, provide a home for believers in the free market who valoe public services, and want both a wholehearted embrace of Europe and a programme of constitutional reform. They are not, however, a potential party of government. Tories who have drifted to them could drift back; if they do there will be no landslide.

Yet the prime minister cannot rely on the usual indicators to save him. The economy may recover far too slowly to have the required effect, or it may not recover to an extent sufficient to wipe out the feeling that Britain needs a change of government. He must therefore fall back on political instinct. He needs to show both that be is in charge of his party and that he knows where it is heading.

Hs has a chance to do so today, in a speech to Welsh Conservatives in which, by all accounts, he will first squash the rnmantic Little Englanders who snipe at his efforts to negotiate inside the European Community and then go on to proclaim "majorism", by which I think be means the provisinn of efficient public services. He will need a whole summer of such speeches to penetrate ths public cnnsciousness. A reshuffle of his Cabinet might give a kick-start to the process, but the difficulty is that there are not many aces to move around.

There is, however, plenty to say. Contrary tn popular belief, there is a significant area of difference between the Labour party, which believes in government, and the Conservatives, who seek to extend consumer choice even in pohlic services. Mr Kinnock has wrought miracles with the Labour party; people are at least clear about what it does not stand for even if they are overwhelmed by the avalanche of policy papers. Mr Paddy Ashdown has worked hard to give his party a distinctive philosophy. Unlike Mr Kinnock, he is well-regarded by the public.

The Tories must hope that the present wobble away from previous statistical verities is just that — a wobble. If not, the Liberal Democrats will continue to attract disaffected Conservatives, at least until Mr Major figures out how to lead his own nervous troops with the same distinctive flair as that evolved by his rivals in opposition.

LETTERS

Training and investment in Europe cannot be left to market forces alone

From Prof Paul Ormerod.

Sir, Your leader, "Labour and the world" (June 7), contains a strong attack on both the Social Charter and the concept of industrial and regional policy. The argument used is the familiar free market one that such ideas "run counter to the economic benefits which are arising from the development of the internal market".

Yet the 1985 European Commission document which set the agenda for the single market programme acknowledged that "as a result, existing economic discrepancies could be exacerbated and the objective of convergence jeopardised".

This is not an argument against the single market. Rather it shows the need for an active industrial and regional policy at a European level in order to minimise dislocation costs incurred by the single market programme.

More generally, the clear commitment of the Community to secure economic convergence and social cohesion is threatened by the scalc and speed of technological development. The fifth wave of technological development has triggered "gales of creative destruction" (to quote Schumpeter) throughout Europe.

In such circumstances, policies to promote social cohesion should no longer be seen as a cost but as a pre-requisite of continued prosperity. A trained and educated labour force throughout the Community is essential to encourage investment by private industry. But neither the training nor the investment will take place either on a sufficient absolute scale or in a balanced regional way if the outcome is left to market forces alone.

Paul Ormerod,
Henley Centre,
2 Tudor Street, EC4

Minimum wage at right level

From Mr Frank Field MP.

Sir, the employment secretary, Mr Michael Howard, misrepresents my views (Letters, June 13) on the introduction of a minimum wage.

Like the Labour party, I am, however, concerned about introducing a minimum wage at too high a level. That is why in 1984, in The Minimum Wage: Its Potential And Dangera, I suggested that this policy should be linked to a programme to raise productivity with a special emphasis un investment and training for those workers most likely to be affected. That, too, is a crucial part of Labour'a strategy.

Similarly, the plea to link the introduction of a minimum wage to a much-enhanced child benefit scheme has been taken on hoard. Such an approach makes a lower minimum wage an equally effective measure in reducing poverty among workers with children.

My comments, quoted by the employment secretary, relate to an introduction of a high target minimum wage, unaccompanied by any of thesa other measures. Michael Howard is right to say that this would be a recipe for unemployment — but that is *not* the policy Labour is advocating.

Frank Field,
House of Commons,
London SW1

Liverpool: certainly not a city in 'chaos'

From Mr Andrew Pearce.

Sir, Yes, Liverpool has a serious strike (of council workers), with important overtones.

But really! Your headline — "Liverpool in chaos as centre is seized" — is untrue and unjustified. The trouble is, so many people in the City of London, making important investment decisions about our area, will take the article to be the literal truth. They are mentally programmed to believe only the worst about Liverpool because that is all they ever see in the press. All too few take the trouble to see the reality.

City folk will have visions of dronken, riotoua natives brawling back to their hovels through the wreckage of what was once the "centre" of the city. (The "centre" your article refers to is the control centre for the council's security service and is located in one of the suburbs.)

The reality is that the sun shone this morning, people were out shopping in our tree-lined pedestrian streets, others were in their offices and making money — it's a good place to make money. We do have problems that need to be tackled, but "chaos" — what nonsense! Your headline writer must know that, for many City people, direct knowledge of the UK does not extend beyond the bounds of the Network South-East commuter railway system. When false information is given, great and quite unjustified damage is done to our economy. Please try to do better.

Andrew Pearce,
13 Lingdale Road,
West Kirby,
Wirral

Why it is realistic for Africa to seek reparations for slave trade

From Mr M K O Abiola.

Sir, In your editorial "New leadership for the OAU" (June 7), you described Africa's call for reparations from the west, in respect of the slave trade and colonialism, as "unrealistic". But you admitted that the slave trade had its "horrors" and that it had a "terrible impact on Africa".

Why should it be unrealistic to seek reparations for a trade that, historians calculate, cost Africa as many as 130m lives, when it was agreed that Israel should be paid compensation by Germany for the murder of 6m Jews by the Nazis, at a time when the state of Israel had not sven been created?

Is it realistic, at the present moment, to demand reparations from Iraq for the crimes it committed against Kuwait, Saudi Arabia and Israel during the Gulf war, when Iraq has been hombed back into the Middle Ages? In each of the above instances, a factor other than "realism" was the key to the demand for reparations. This is the moral precept that those who commit aggression against their fellow human beings should be held accountable for their crimes and be made to compensate their victims.

In the course of the slave trade the following crimes among others were committed.

Our most virile, young people were taken away to cultivate sugar, tobacco and other crops for British, Spanish, Portuguese, French and American plantation owners. Much of the capital that funded the industrial revolution in Europe came from this source. But while thus enriching Europe, Africa, because its motor for development had been taken out, remained economically backward.

When the formal slave trade ended, the Europeans came back to Africa and enslaved its people again. Through colonisation, they stole our minerals and forced us to use our best lands to grow crops like cocoa, coffee or sisal, that we do not eat, but which European factories needed.

This distortion is our leading tragedy today. We are impotent price takers unable to influence the terms of world trade. Worse, some of us have become food importers.

In the course of colonisation, Africa's people, millions of whom had already been dispersed through slavery, were once again disgorged into separate "states" by Europeans who drew maps across the continent without regard to the ethnic origins of the people they enclosed in new borders. Many of Africa's current civil wars, as well as the instability of its numerous "nations", stem from this cause.

In spite of having so drastically altered the pattern of our lives, Europe and America talk of "aid fatigue" when asked to alleviate our economic hardship, or are asked to reduce the burden of Africa's deht. Yet high interest rates and worsening terms of trade are demonstrably making it impossible for Africa to eke out a decent living.

Without wide understanding of the economic consequences of their countries' past activities in Africa, there cannot he a more equitable tomorrow.

M K O Abiola,
chairman,
Concord Newspapers of Nigeria

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Friday June 14 1991

US may ban navigation aid sales

By Louise Kehoe in San Francisco

THE US State Department is proposing strict limits on exports of global positioning system receivers, the most accurate electronic navigational equipmeot, with poteotially devastating effect opon rapidly expanding commercial markets.

A draft proposal to put GPS receivers on the munitions control list, which limits export of materials and equipmant tbat pose a threat to national security, has been circulated among US manufacturers of the equipment.

GPS, designed for military navigation and tracking, bas spawned a range of commercial applications ranging from precise aircraft and marina navigation to vehicle tracking systems and surveying equipment.

GPS played a prominent role in the Gulf war when US and allied troops used navigational receivers in the desert.

This successful military deployment of GPS has raised renewed concerns about commercial exploitation. Worldwide sales of GPS equipment are expected to top $6bn by 1996.

The system relies on US Defence Department satellites which transmit signals that give ground-hased receivers positioning data accurate to within a few metres.

With error cancelling techniques, accuracy can be increased to a centimetre.

A scheme to encrypt the GPS signals to limit access to the system proved to be of *little* value.

"Selective availahility" was abandoned during the Gulf war when *a shortage of military*-style receivers forced the US military to place emergency orders for tens of thousands of commercial-style GPS receivers from Trimble Navigation and Magellan Systems, both of California.

Now the same US companies that struggled to fill those military orders face the prospect of a virtual export ban on many of their products.

With European and Japanese companies also offering GPS receivers, the US manufacturers would be placed at a seri*ous competitive disadvantage*.

The proposed export controls "could have a disastrous effect upon the US industry", according to Mr Stephen Colwell, president of the Global Positioning System Association, a trade group representing GPS manufacturers and nsers. Nearly 50 per cent of sales currently go to customers outside the US, he said.

GPS industry executives are now *taking* part in government inter-agency working gronps designed to resolve the conflict in military and commercial interests.

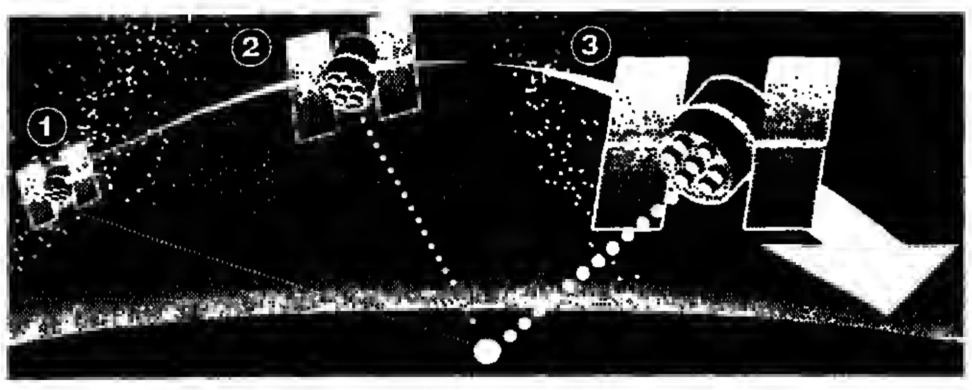
The industry has been encouraged by support from navigational experts in the Pentagon and the Commerce Department who recognise the vital role that commercial producers play in developing the technology and supplying the military.

The Federal Aviation Administration and the US Coast Guard are also keen to see continued commercial development.

However, hard-liners within the Pentagon and State Departments have so far remained unswayed by the industry's pleas. Unless a compromise is reached within the next few weeks, the issue is expected to be referred to the White House Office of Management and Budget.

Soma within the indnstry fear GPS may become a pawn in a high-level dispute between the Departments of State, Defence and Commerce over which should have jurisdiction over export control of "dual-use" technologies that have both military and commercial applications.

This long-running battle has been made worse by the recent decision of the Co-ordinating Committee on Multilateral Export Controls to relax restrictions, and concern that US export controls failed to prevent Iraq from obtaining materials of war.



GPS, global positioning systems, work by triangulation from the subject to a moving satellite at fixed points 1,2 and 3: distances are measured to earth by radio message timed by highly accurate onboard clocks. Satellite position is found by measuring the degree of delay on the signal as it passes through the ionosphere and atmosphere.

Black power: A US pilot stands in front of the F-117A Stealth Fighter on display at the Paris Air Show yesterday

Airbus and Boeing win $7bn in orders

Continued from Page 1

opment of a smaller 130-seat version of the A320 twin-engined jet and of a 600-700-seat jumbo aircraft.

European ministers are to review new Airhus programmes next Wednesday. Airbus is unlikely to take any decision oo a new 130-seat aircraft, code named A319, until early oext year. But Mr Pierson suggested sufficient interest in such an aircraft could enable Airhus to deliver its first A319 by late 1995. The cost of development is put at $400m.

Mr Pierson said Airbus had already reached a preliminary agreemant with the General Electric-Soecma CFM engine consortium to develop an engine for the new small aircraft. Talks are also advanced with the Pratt & Whitney and Rolls-Royce-led International Aero Engine (IAE) group to provide an alternative engine.

Airhns is also discussing with some airlines the specifications of a new 600-700-seat jumbo aircraft aimed at challenging Boeing's dominance

Carmakers face tough limits on exhausts

By David Gardner in Luxembourg

CAR manufacturers are likely to face tougher than expected *limits on exhaust* emissions from 1996, after EC environment ministers last night agreed on a three, rather than *two-part* programme for tighter emission controls.

But because of the European Parliament's failure on *Wednesday* to *muster a quorum* to vote through the emission norms it had itself suggested for 1996, and for which *it* had won *European* Commission backing, manufacturers are going to have to wait longer to know what *standards they must aim at*.

Instead of roughly a 4½ years lead-time ahead of the 1996 standards, carmakers *may* now have *to* wait to the end of 1993 to know exactly what norms they will be bound to two years later.

Yesterday's agreement follows December's decision by ministers to impose obligatory norms on new models from July 1992, and *on* all new *cars* from January 1993. It was established then that a second raft of tighter norms would *come* into force in 1996, *and* that ministers would agree on them by the end of 1993.

However, agitation by the Parliament to set tough 1996 norms this year won Brussels' support, making the approval of ministers more likely under EC legislative procedures. Parliament's failure to get the 260 (of 518) quorum needed for all but a small amendment means that ministers yesterday adopted only the 1992-93 standards agreed last December.

The Commission's intention now is to propose a new directive next year, with emission values for 1996, and a third, new stage with standards for the year 2000. Commission officials say the 1996 norms are likely to be as tough or tougher than the ones which might have been decided this year, bringing the EC into line with, or slightly ahead of, US standards in the same year.

At a separate meeting in Luxembourg, of EC interior ministers, efforts were made to see if UK objections to lifting internal frontier controls after 1992 could be accomodated. The current Luxembourg presidency of the EC suggested that the UK could be exempted from parts of the Community's internal border scrapping provisions.

British officials said the suggestion might help break the deadlock, hut resisted the idea that this might be a formal "derogation" – implying a time limit on any exemptions. They instead referred to a unilateral statement by the UK on how its requirements could be meshed into the agreement.

The officials insisted that the Single European Act did not require member states to remove controls on non-EC nationals entering from other member states.

Iraq's nuclear capability 'remains intact'

By Alan Friedman and Lionel Barber in Washington

A SUBSTANTIAL portioo of Iraq's nuclear and chemical weapons capability remains intact, according to information given to US intelligence by a *senior Iraqi* ouclear *scientist* who defected earlier this month.

The information, according to a senior State Department official, has heen confirmed from other sources, including technical means used by US intelligence. It indicates that Iraq is continuing its efforts – three months after the war ended – to achieve nuclear weapons capability.

According to information obtained as part of a joint investigatioo by the Financial Times and ABC News/Nightline, the Bush Administratioo has discovered that it identified and targeted only three of seven Iraqi nuclear weapons sites. A damage rate of only 60 per cent was achieved when the three sites were bombed.

A *senior Administration* official said Iraq was in violation of UN resolution 687 and the US would veto any effort to lift *sanctions against Iraq* "until tbere is a full accounting of all its nuclear activities".

The National Intelligence Digest – a top secret daily intelligence summary distributed to President George Bush and a few senior US officials – says that photographic evidence sbows the three targeted sites were stripped of key equipment before Allied bombing began in mid-January.

The report says that ouclear material and equipment was removed and hidden in northern Iraq.

The Administration also has photographs that appear to indicate Baghdad concealed nuclear bomb developmant activities from the UN's International Atomic Energy Agency (IAEA) inspection *team*, which recently visited Iraq. Photographs of one of the bombed nuclear weapons sites show Iraqi workers digging up equipment from a large pit after the IAEA visit.

US intelligence bas also made a new assessment of Iraq's chemical and biological warfare capabilities which finds that only 60 per cent of the capahility known about before the war was damaged.

US intelligence photographs taken in the last month also indicate that Iraq still has at least 700 Scud missiles. Photographs of tha Taji weapons complex north of Baghdad ahow the Scuds being refurhished, placed on new launchers and transported away from the complex.

The Iraqi defector said that President Saddam Hussein decided last year to speed work towards having a single nuclear bomb ready by early 1991. Scientists working on the project considered late 1991 more realistic.

The unnamed scientist drove to a US Marine checkpoint near Dahuk in northern Iraq to and defect ed just over a week ago. Early last week he was debriefed by two US nuclear scientists from the Oak Ridge, Tennessee nuclear weapons and research plant.

Senator John McCain, a senior Republican member of the Senate Armed Services Committee, told the FT/ABC News investigation on Wednesday night that the defector's information raised "an issue of very serious concern. We already know the Iraqis have cheated on the inspections and we now must insist on a new and thorongh inspection. If this is not possible we will have to explore other options, including military action."

US retail sales rise boosts recovery hopes

By Peter Riddell, US Editor, in Washington

US RETAIL SALES rose last month and new unemploymeot claims have continued to fall, suggesting the economy is starting to come out of its near year-long recession.

However, producer prices for finished goods showed the largest rise since last October.

The latest figures support administration hopes that consumer spending is at last on the way up and the economy may have begun to recover. But this will damp hopes of any further cuts in interest rates in the immediate future.

Two members of the Federal Reserve's key policymaking committee said this week that all the recent evidence had been positive, and ona suggested that the economy would grow in the third quarter without any reductions in interest rates. Monetary policy was last eased in late April.

The most favourable sign was the 1 per cent rise in retail sales in cash terms in May from the previous month. Sales have now risen for three of the last four months, although the increase in the March-May period above the level of 1990 was just 1.6 per cent, well under the inflation rate.

Unseasonably warm weather helped boost sales at department stores. Moreover, initial claims for unemployment benefit fell by 38,000 to 401,000 in the week to June 1, the fourth weekly decline in a row.

Mr Michael Boskin, chairman of the president's council of economic advisers, said the economy had "quite possibly" begun a national recovery, but ha said he wanted to see the recovering sectors "really predominate" before saying the process had begun. A less favourable sign was an unexpectedly sharp 0.6 per cent increase in producer prices, caused mainly by a 2.4 per cent rise in energy prices.

See Lex

THE LEX COLUMN

Peering through the gloom

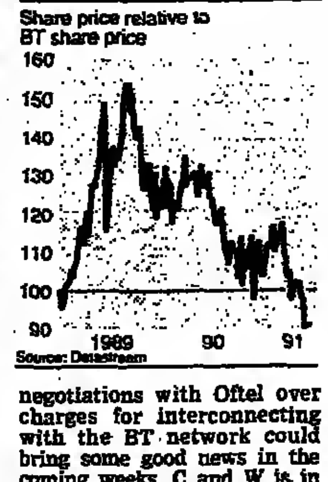
On the face of it, yesterday's clutch of UK statistics confirmed the impression of an economy setting off downward on the third leg of a W-shaped recession. Unemployment is still soaring and average earnings are rising by nearly 9 per cent. Perhaps above all, the Confederation of British Industry reports that after a couple of uncertain months in the aftermath of the Gulf war and the rise in VAT, retail volume is again falling at the rate seen at the beginning of the year.

Even on a closer look, parts of the CBI survey are depressing. None of the retail respondents expected their stock levels to be other than massively high this month, while expectations on both employment and investment continued to slump. But against the odds, business confidence is picking up for the second month running, if only shakily, with the balance of retailers expecting things to get better over the next three months. This is consistent with at least some of the polls on consumer confidence generally, even if this has yet to show through in actual spending.

Similarly, the running three-month total of new unemployed has fallen slightly for the first time since unemployment started rising last April. The figure will doubtless carry on rising, with lnck more slowly, to the end of tha year. As for average earnings, the *figure has fallen now for* four months in a row and is back to the level of two years ago. Whatever *today's* headline *inflation* figure, the *chancellor* is not to be envied the task of picking the right date for the next hase rate cut.

FT-SE Index: 2,514.8 (-5.8)

Cable & Wireless



Cable and Wireless

Cable and Wireless has been *one of the great concept stocks* of recent times. Hope has tended to be more important than experience, if not neces*sarily triumphant. But now* that Mercury's challenge to BT is a reality and the much-hyped global digital highway is *in the preseot not the future*, reported profit figures could start to assume greater significance in market thinking.

On the face of it, last year's flat result at the operating level and static earnings per share do not add up to a partic*ularly impressive performance*. But the underlying growth of the business – around 15 per cent at constant exchange *rates* – appears intact. *Inves*tor gloom following the duopoly review may also have been overdone, and the outcome of negotiations with Oftel over charges for interconnecting with the BT network could bring some good news in the coming weeks. C and W is in any case confident that it has refuted its rival's arguments.

The shares were reflecting an optimistic stance yesterday, rising 3 per cent to 537p. Of late they have been trading close to their five-year-low relative to BT, though the prospective multiple of 14 to 15 has been on a *bigger* premium to the market in the past. More needs to be done via acquisition to reduce dependency on Hong Kong, *though regulatory* changes there are unlikely to pose a serious threat in the short term. The possible rise in gearing which *will accompany* Mercury's stepped-up investment programme for its personal communications net*work, meanwhile, looks* like coinciding with a period of falling interest rates. With so much of the market's attention *directed to BT and Racal, it* could be time for C and W to tiptoe back into the limelight.

Wall Street

If surging bond yields were ever going to undermine the *recent gains in US stock prices*, yesterday might have been the day. Headline figures for producer prices, retail sales and *jobless claims all pointed* to a stronger than anticipated economic recovery. Bond traders responded with an initial *sell-off which took* the long bond yield to 8.61 per cent from its previous 8.54 close, but then decided that the indicators were *exaggerating* the inflationary threat and a spot of short-covering helped them regain their cool.

Strip out exceptional factors from the latest indicators – such as the one-off seasonal boost to prodncer prices from tobacco, aod the Memorial Day *holiday which distorted jobless* claims – and the picture is confirmed of a weak recovery without much additional pres*sure on prices. There is little* chance of a strong consumer-led revival with savings still depressed. High corporate *debts will restrain any bounce* in inventories evea from their current abnormal lows. Recession elsewhere and a strengthening dollar should dampen demand for exports, while recovery is likely to be crimped by the severe fiscal tightening projected *by state and local* governments.

Admittedly there is some upward pressure on bond *yields from the heavy federal* funding requirement of some $100bn in each of the next two quarters, but even this is likely to be limited to *no more thao* about 50 basis points as the prospect of a still higher dollar attracts foreign buyers. All *that may be some comfort for* the stock market, but it is a double-edged message. If a weak recovery prevents bond prices *falling* out *of bed, it* means the upsida for stock prices must be limited too.

Salvesen

Christian Salvesen remains a hard stock for tbe market to *classify. Any company which* makes bricks, freezes vegetables and hires out power plant is in normal terms a conglomerate. *Salvesen resists* the term, preferring to see itself as a technology-driven service company specialising in mar*kets which it can afford* to dominate. That scarcely covers hrlck-making, though it Is impressive that the brick business shonld have *simulta*neously increased market share last year and generated a 20 per cent return on capital. *Either way, Salvesen presents* old-style conglomerate virtues in terms of cash generation, with the high-growth plant *hire business being financed* by the low-growth traditional businesses like distribution.

Yesterday's 11 per cent rise *in full year earnings suggests* the combination has contra-cyclical virtues as well. This is bound to limit Salvesen's *appeal as a recovery play*. Oo flotation in 1985, the shares promptly underperformed by 30 per cent, then made up half the lost ground *over the past* two years. At yesterday's 209p, they stand on some 12 times prospective earnings. If the upward trend *continues*, it will be because the market is still nervous enough to be thinking defensively.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	22	73
Algiers		–	–
Amsterdam	F	16	61
Athens	S	30	86
Bahrain	S	33	91
Bangkok	C	34	93
Barcelona	S	23	73
Beirut		–	–
Belfast	C	13	55
Belgrade	S	25	77
Berlin	F	19	66
Biarritz	S	18	64
Bombay	F	31	88
Bordeaux	C	19	66
Boulogne	F	15	59
Brussels	C	13	55
Budapest	S	25	77
Buenos Aires	F	12	54
Cairo	S	31	88
Cape Town	S	15	59
Caracas	C	31	88
Casablanca		–	–
Chicago	S	19	66
Cologne	C	15	59
Copenhagen	C	15	59
Corfu	S	28	82
Dallas	S	24	75
Dublin	F	13	55
Dubrovnik	S	26	79
Edinburgh	C	12	54
Faro	S	24	75
Florence	S	27	81
Frankfurt	F	18	64
Geneva	F	23	73
Gibraltar	S	22	72
Glasgow	C	11	52
Helsinki	F	15	59
Hong Kong	C	31	88
Innsbruck	F	26	79
Inverness	C	13	55
Islamabad	F	37	99
Istanbul	F	23	73
Jakarta	F	32	90
Jersey	F	16	61
Johannesburg	S	16	61
Lima	C	20	68
Lisbon	S	13	55
London	F	16	61
Los Angeles	C	16	61
Luxembourg	C	14	57
Madeira	S	23	73
Madrid	S	31	88
Majorca	S	26	79
Malaga	S	26	79
Malta	S	28	82
Manchester	C	14	57
Manila	C	35	95
Melbourne		–	–
Mexico City	C	25	77
Miami	S	28	82
Milan	S	25	77
Montreal	S	13	55
Moscow	C	17	63
Munich	C	20	68
Nairobi		–	–
Naples	S	25	77
Nassau	F	31	88
New Delhi		–	–
New York	S	14	57
Nice	F	21	70
Nicosia	S	26	79
Oporto	S	21	70
Oslo	C	15	59
Paris	R	14	57
Peking		–	–
Prague	F	22	72
Reykjavik	S	13	55
Rhodes	S	28	82
Rio de Janeiro	C	28	82
Rome	S	26	79
Salzburg	F	24	75
San Francisco	S	11	52
Seoul		–	–
Singapore		–	–
Stockholm	C	13	55
Strasbourg	F	17	63
Sydney		–	–
Taipei	R	34	93
Tangier	S	30	86
Tel Aviv	S	25	77
Tenerife	S	23	73
Tokyo		–	–
Toronto	S	11	52
Tunis	S	27	81
Valencia	S	25	77
Venice	S	24	75
Vienna	F	24	75
Warsaw	C	20	68
Washington	S	21	70
Zurich	F	18	64

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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INSIDE

Hungary plans to tap sterling bond market

The National Bank of Hungary is planning its first venture into the sterling bond market. Later this year the bank, which funds the Hungarian government, will attempt to raise around £50m through a long-dated sterling bond issue maturing in 20 to 25 years, with a put option after seven years. Meanwhile the bank makes its first Eurodollar bond offering, a $100m five-year deal, next week. Page 26

Christian Salvesen rises 7.2%

Christian Salvesen yesterday announced a 7.2 per cent rise in pre-tax profits to £66.6m ($110m) on turnover of £422.7m. But the Scottish-based distribution, manufacturing and specialist hire company, also made big provisions for slimming its distribution side. Page 28

Brent Walker accord

Brent Walker yesterday moved a step closer to winning approval for the restructuring it needs if it is to trade its way out of financial difficulties. Early yesterday the UK leisure group agreed a deal with its banks and the holders of its £101.9m ($167.11m) convertible capital bonds which should open the way for the banks to advance £20m needed for working capital. Page 28

Gambling on gold

The Johannesburg gold market remains a defiant outpost of the guts and gambling school of investment with movements dictated more by sentiment than fact. Recent months have seen gloom and doom stories about the local gold industry. The agonies of producers, however, have been offset, at least partially, by the pleasure of watching their share prices perform. Philip Gawith reports. Page 33

No comfort from an empty hall

County Hall, the former home of the Greater London Council, stands empty after the collapse of plans to create one of the largest post-war developments in central London. Yesterday the failure worked its way through to the results of property developer London & Metropolitan, contributing to a £100.3m ($164.49m) pre-tax loss in 1990. Page 28

Pumping up the oil volume

A fresh wave of oil exploration has hit the Caribbean. Driven by the need for guaranteed foreign exchange earnings or concern over stable oil supplies, several countries are encouraging large international oil companies to step up the pace of exploration. Canute James looks at the Caribbean's efforts to pump more of their own requirements. Page 31

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	545	+	11
[illegible]	364	+	9
[illegible]	385	+	16
Falls			
Bayer Hypo	358.5	−	10.5
[illegible]	780	−	15.5
Linde	847	−	11
NEW YORK ($)			
Rises			
Am Express	23½	+	⅛
Falls			
Cinct Bell	19⅝	−	2⅝
IBM	109⅝	−	⅝
Mesa Ltd	3	−	¼
Texas Inst	35	−	⅝
Time Warn	94⅝	−	½
PARIS (FFr)			
Rises			
Fonc Lyon	790	+	10
SILIC	690	+	13
Falls			
BIC	735	−	14
Cap Gemini	345	−	9
[illegible]	682	−	32
Printemps	624	−	16
TOKYO (Yen)			
Rises			
[illegible]	4200	+	370
Nippon Kas Ch	900	+	44
[illegible]	4560	+	370
[illegible]	2790	+	210
[illegible]	2780	+	210
Falls			
[illegible]	811	−	39

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
BTP	208	+	8
Cable & Wire	537	+	15
Erskine Hse	69½	+	3½
First Tech	28	+	[illegible]
Johnson Matthey	304	+	[illegible]
SD-Scicon	52	+	4
Salvesen (C)	209	+	7
Siebe	457	+	15
Tace	203	+	12
Falls			
Amber Day	98	−	3½
Britannia	62	−	11
Glaxo	1227	−	21
Lasmo	325	−	9
Racal Telecom	373	−	18
Ranger Oil	435	−	13
Rank Organ	684	−	11
Smith New Ct	130	−	8
Staveley Inds	180	−	11
Wimpey (Geo)	190	−	8

Astra wins US approval for ulcer drug

By **Robert Taylor** in Stockholm and **Clive Cookson** in London

ASTRA, Sweden's largest pharmaceutical company, announced yesterday that its ulcer drug Losec had secured the approval of the US Food and Drug Administration (FDA) for use in the short-term treatment of duodenal ulcers.

The announcement is a setback for Astra's UK competitor, Glaxo, whose best-selling drug, Zantac, has 40 per cent of the world's anti-ulcer market – compared to 6 per cent for Losec. Astra shares closed SKr9 up at SKr640 while Glaxo fell

The FDA's decision is an important breakthrough for Astra into the lucrative US market.

It follows lengthy talks between the company and the FDA during the past few months, after the FDA indicated in January it would only approve a narrower use of Losec than its own advisory committee recommended in May 1990.

Astra refused to accept the FDA proposal and agreed to supply further details about Losec to persuade the US authorities to approve its use in short-term duodenal ulcer treatment.

The FDA gave its approval in September 1989 for Merck to sell Losec in the US under the Prilosec trademark. But this was only for its restricted use in the treatment of ulceration and inflammation of the oesophagus.

Losec is one of Astra's most successful drugs. It has received regulatory approval in more than 50 countries and around 12m patients have now been treated.

In 1990, Losec sales totalled SKr2.1bn ($328m). Last month the drug was introduced into Japan, potentially the biggest national market outside the US.

Losec is the first of a new class of ulcer drugs, known as "proton pump inhibitors". They work in a different way from the "H2-antagonists" such as Zantac and the previous best-seller, SmithKline Beecham's Tagamet.

Losec is a more potent drug than Zantac and there has been concern about its toxicity and possible side effects. Several proton pump inhibitors are under development but only one, lansoprazole from Takeda of Japan, is likely to reach the US market before 1995.

The FDA decision will come as a relief to Astra which expected it around last Christmas. It ends a prolonged period of doubt about Losec's possible wider use in the US. It is bound to boost Astra's already bullish financial position.

A few weeks ago the company reported a 45 per cent leap in pre-tax profits for the first four months of this year to SKr757m. It said 1991 profits would climb 30 per cent to about SKr3.3bn.

An injection of survival instinct

Sir Peter Walters, who takes over as Midland Bank chairman today, tells **David Lascelles** of his plans

SIR Peter Walters sampled life as the chairman of the Midland Bank yesterday afternoon. Although he does not take over until today, he had to appear before the chancellor of the exchequer to explain Midland's position in the row over bank charges for small businesses.

It was not an unfamiliar experience. As chairman of British Petroleum, he was often in the firing line over the sensitive issue of petrol prices. Yesterday's encounter will have driven home to him that bankers have to work hard to be liked.

Sir Peter becomes the third chairman in 10 years to try to haul Midland out of its troubles. This task defeated his predecessor, Sir Kit McMahon, and Sir Peter admitted: "I took it because I was asked to, and because of who it was who asked me," referring to the behind-the-scenes machinations by the Bank of England to beef up Midland's management.

After a string of poor results and the failure of its proposed marriage with the Hongkong and Shanghai Bank, Midland is perceived as the weakest of the Big Four clearing banks. This may have whetted Sir Peter's appetite for a challenge. At BP he transformed the company's mediocre performance and acquired a reputation as a firm and far-sighted manager. Since then, he has learnt more about banks as a director of National Westminster.

His aim is "to make Midland once more a profitable independent bank". Sir Peter insists that there is no hidden agenda to find a buyer for the bank or break it up, as many in the City of London have speculated.

He has given himself two years to produce results but he will not be trying to do it on his own. The roles of chairman and chief executive have been split, with Mr Brian Pearse, a career clearing banker from Barclays, taking day-to-day charge of the group. Sir Peter's acceptance of the job depended on him getting on with Mr Pearse, but he said: "I was impressed by his knowledge and background in a very important part of Midland's activity."

Sir Peter has well-formed views on business management which he intends to apply to Midland. He believes a company must achieve critical mass in its markets, and then apply "selective excellence". "You must aim to be among the first three in a customer's mind in your market. I haven't yet found any business to which you cannot apply those principles. Customers don't go for everything. They go for the best in the field, and if you don't supply it they will go somewhere else," he said.

He thinks Midland has the necessary size but its problem is that it has not developed selective excellence. Sir Peter will push it to focus more sharply on its strengths, which he thinks lie in its traditional markets. "There's a lot to be said for a cobbler sticking to his last."

He applauds the steps Midland has already taken to close superfluous branches and sell unnecessary businesses but the bank will have to learn to sell more services to the customers it already has to boost its earning potential. "If you get it right, it can be self-regenerating."

Midland is not heading for a big shake-up. "It's not a question of how much change we do, but how much change we try to stop. This is a time for consolidation rather than change." One of his worries is that cost-cutting at Midland may be reaching the point where cutting through the fat has reached the muscle.

There are "a lot of good things at Midland", such as Samuel Montagu, its merchant bank, Trinkaus & Burckhart, its German subsidiary, and its gilt-edged dealing business. It is a matter of developing these alongside the bank, and making the most of them.

There is some irony in Sir Peter becoming the head of a bank. At BP he developed an in-house bank, on the premise that commercial companies could perform banking functions at least as well as a bank. BP also invited banks to tender for its business as they were all so eager to lend it money. None of this helped strengthen banking relationships.

He stresses that he does believe in relationship banking. "Banks should know what BP is doing on a continual basis five years ahead. They should try and cement relationships so that there are no surprises – on either side. It all comes back to customer servicing." In some cases, Sir Peter thinks banks could buy stakes in their clients, German-style.

As for personal customers, Sir Peter believes the next important development will be to make banking more convenient, particularly by enabling people to do their banking from home at weekends. This means new delivery systems, such as telephone banking, an area where Midland is already innovative with its FirstDirect service.

Sir Peter says banks are going to have to be much more prudent to avoid a repeat of the billions of pounds of bad loans they have suffered in recent years. This could mean a firmer line with borrowers. "A bank's responsibility lies with its survival."

KLM falls into loss and omits payout

By **Ronald van de Krol** in Amsterdam

KLM, the Dutch national carrier which earlier reported heavy losses in the year ended March 31, said yesterday that it would omit its dividend, the first time it has done so in seven years.

The airline also confirmed a provisional estimate in May that its 1990/1991 net losses totalled Fl 630m ($315m), a sharp reversal from the net profit of Fl 340m in 1989/90.

KLM, which is carrying out an extensive cost-saving drive, paid a dividend of Fl 1.30 in 1989/90.

The airline is 38.2 per cent owned by the Dutch government. The remainder of the shares are with private investors and traded on the Amsterdam stock exchange.

The passing of the 1990/91 dividend was announced after the close of trading in Amsterdam, where KLM's shares finished the day fractionally higher at Fl 28.90 compared with Fl 28.80 on Wednesday.

KLM, which gave complete 1990/91 figures for the first time, said revenues increased 1 per cent to Fl 5.55bn, as adverse exchange rate movements counteracted a 6 per cent increase in traffic.

Operating costs rose by 11 per cent to Fl 6.84bn, reflecting higher fuel bills and a substantial increase in depreciation due to the introduction of new aircraft.

Nearly half the 1990/91 loss was due to a provision of Fl 300m taken to finance KLM's restructuring programme.

KLM also suffered its share of the Fl 144m in losses posted by associate companies. These mainly represented the loss in 1990 by Northwest Airlines of the US, in which the Dutch carrier has a 20 per cent stake.

The Kuwait crisis and the Gulf war worsened the problems which KLM had begun to confront in the autumn of 1990.

The airline hopes to achieve a 7 per cent increase in productivity over each of the next three years.

It plans to cut 1,000 staff jobs as well as eliminating a further 2,000 jobs by devolving non-core services such as canteens to external contractors.

It aims to raise operating margins to 5 per cent of turnover by 1994, but it has not made a specific forecast for 1991/92 results.

C&W rides recession with 16% increase before tax

By **Hugo Dixon** in London

CABLE & WIRELESS yesterday confirmed the ability of telecommunications companies to ride the recession when it lifted its pre-tax profit by 16 per cent.

The UK-based international telecommunications group reported an increase to £609m ($1.02bn) for the financial year to the end of March. BT and Racal Telecom had previously reported sharp increases in profits.

C&W's Mercury Communications subsidiary increased its trading profit by 76 per cent to £116m, after a 47 per cent increase in turnover to £702m. Mercury, which was set up as a competitor to BT in the mid-1980s, now has half a million telephone lines in the UK.

The group also announced the creation of an international data communications company put together from existing data communications subsidiaries in the UK, the US, Japan and elsewhere. It will be run by Mr Colin Bell, a former managing director of the US telecommunications giant, AT&T, in the UK.

Next year, C&W hopes to launch "Planet", a more ambitious international service providing voice, data and video communications to multinational business customers.

Lord Young, the former Conservative Cabinet minister who is now C&W's chairman, confirmed that following a strategy review, C&W would not go into areas of the world telecommunications market where competition was so intense that margins were low. "We are not going to compete head-on with AT&T and BT," he said.

He said there were many other opportunities: taking stakes in newly-privatised telephone companies, setting up operations on the pattern of Mercury in those parts of the world that allowed competition, and providing data and mobile services.

Lord Young also said he had "every confidence" in the outcome of the UK Office of Telecommunications review of the charges Mercury will have to pay BT for using its network. Previously, there had been fears that these access charges would harm Mercury's business.

The directors have recommended a full-year dividend of 11.8p, up 18 per cent on the previous year.

Earnings per share were unchanged at 31.3p.

Lex, Page 20

Doubts on screen-traded options

By **Jim McCallum** and **Tracy Corrigan**

PROPOSALS to move trading of UK share options from a face-to-face market on to computer screens may be dropped after stiff opposition from futures and options traders.

Mr Michael Jenkins, chief executive of the London International Financial Futures Exchange (Liffe), said yesterday that "there may be an alternative" to the move to screen trading.

Seven weeks ago the boards of the Liffe and the London Traded Options Market endorsed the proposed move as the best way to revive the flagging UK stock options market when the two exchanges merge later this year.

Screen-based trading was intended to tackle the lack of transparency in the traded options market, but Mr Jenkins said that the "issue of anonymity is not as important" as had originally been thought.

He said that changes to existing trading procedures might help boost the equity options market instead, but he declined to specify what changes were under consideration.

The Liffe board met informally with some members yesterday to discuss some of the problems facing individual stock options, and also the feasibility of stock futures.

A decision on the issue of screen trading was "an urgent task", according to Mr Jenkins. Until a solution is reached, the prospectus offering shares in the new, merged exchange cannot be issued. It is hoped that the prospectus will be published in August.

A number of leading European futures and options markets are already screen-based, and equity options trading is thriving in several of those markets. The London stock exchange moved on to screens five years ago.

Smaller firms and independent options traders at LTOM resisted the proposal to end pit trading of equity options, saying the change could put them out of business. Independent traders at Liffe, who had hoped to break into the market, were also unhappy.

The proposal was welcomed by larger members of LTOM, particularly the market makers which dominate trading of UK equities, as a means of restoring profitability to the traded options market.

The issue is likely to be discussed at a board meeting of LTOM on Monday. A senior LTOM board member said there was a growing feeling among Liffe and LTOM board members that the new London derivatives exchange would still have an options trading floor.

Outcry over screens, Page 26

Top Italian banks agree to scheme for Federconsorzi

By Haig Simonian in Milan

ITALY'S leading banks agreed yesterday to the voluntary liquidation of Federconsorzi, the egricultnral services group with a debt of L4,200bn ($3.2hn), under e plan proposed by Mr Giovanni Gorie, the farm minister.

However, the decision will not satisfy the large number of foreign banks which have called for tbe repayment of their loans to the company. They say the loans were widely perceived as being state-guaranteed. Repayment bas been sought by members of a syndicate led by Mitsubishi and Sumitomo banks of Japan.

The move by the Italian banks ends e tense week of deadlines and postponements following their decision last Friday to consider, but not immediately accept, Mr Goria's rescue plan.

The banks' latest position endorses the proposals forwerded by the three special administrators installed by the minister at Federconsorzi, but is still subject to certain conditions.

Under the scheme, Federconsorzi will be liquidated and e new company establisbed to undertake its functions. Some banks and big industrial suppliers will probably take equity stakes in the new concern.

The banks have accepted e moratorium ou repayments of interest from January 1, and of principal, subject to nnanimous agreement by all creditors. More ominously for those foreign bankers hoping for a separate sointion, the Italian banks bave also stressed the need for equal treatment for all those with loans outstanding.

● The chances of a merger between Istitnto Mobiliare Italiano (IMI), the big Italian financial services concern, and a group of regional savings banks, led by Milan'e huge Cariplo, have risen sharply following a meeting yesterday et the Italian Treasury.

Under tbe plan, Cariplo, along with the Bologna, Verone and Turin savings banks, are expected to be given the green light to buy IMI, wbose major shareholdar is currently the Treasury. The group may also include the Venice savings bank.

The plan is believed to have been approved in principle by the Bank of Italy and by Mr Guido Carli, the Treasury minister. Opposition from the Socialist party to an exclusive takeover by Cariplo appears to have been attenuated by the inclusion of the other banks.

Fortis ahead by 31%

By Ronald van de Krol

FORTIS, the new name chosen by the banking and insurance company created in 1990 out of the merger between Amev of the Netherlands and AG of Belgium, reported e 30.9 per cent increase in first-quarter net profit to Ecu62.2m ($71.5m).

The company, which yesterday unveiled its new name for the first time, said the profit rise would have been even higher at 36.4 per cent if it had not been for adverse currency movements, particularly the decline of the dollar.

AG, Amev and Amev's banking subsidiary VSB will all continue to operate under their own names on their home markets. The Fortis gronp, which ranks among the 15 largest insurance companies in Europe, is also active in the US.

The sharp improvement in first-quarter results was due mainly to the non-life insurance sector, which had been hit badly in the comparable period of 1990 hy a series of winter storms in western Europe.

Excluding the effects of the storms, other non-life sectors such as motor and fire insurance turned in lower results in the 1991 first quarter.

For 1991 as a whole, Fortis forecasts that it will at least matcb the net profit of Ecu393m posted in 1990.

Volvo wheels out challenge to family car market

The Swedish carmaker faces a period of reckoning with the launch of its 800 series, writes Kevin Done

The newspapers in Gothenhurg, headquarters of Sweden's leading carmaker, were in no doubt that Volvo was facing its "Odesdag" or "Day of Destiny" this week.

Disregarding the traditional hype surronnding a car launcb around the world, the long-awaited unvelling of Volvo's new range of large family cars, the 800 series, marks e crucial step in the restoration of the Swedish carmaker's battered fortunes during the first half of the 1990s.

The 800 series is the fruit of the most ambitious development project ever undertaken by the company. Volvo claims that it represents "the first step in an industrial generation change".

Between 1986 and 1991 it has invested aronnd SKr16bn ($2.5bn) for the development and production of the series, making it tbe biggest single industrial project ever undertaken in Sweden.

A large part of the SKr16bn has been spent on renewing Volvo's industrial base, with the modernisation of its main engine, gearbox and stamping plants in Sweden.

At the same time, the company has invested heavily et its assembly plant in Ghent, Belginm, where the the 800 series will be assembled.

Exceptionally in the world euto industry, tha new car range is being launched simultaneously with a family of new generation engines and gearboxes.

Development of the new car range has cost around SKr4.5hn; SKr5bn has been invested et the company's Skövde engine plant and on developing the new engine range; SKr1bn in new gearboxes, the Köping gearbox plant and brake components; and SKr2.5bn at the Olofström body components pressing plant. A further SKr2bn has been invested et the Ghent assembly plant.

The 800 series is set to become the company's main volume car during the first half of the 1990s, aventually replacing the venerable boxlike Volvo 200 series, which was launcbed in 1974, but whose origins go back to the 140 lannched in 1966.

The new range marks a landmark in Volvo's history as a carmaker, as it is likely to be the last car series to be developed entirely alone by the company.

Mr Pehr Gyllenhammar, Volvo chairman, says that future product generations – in particular major components – would be developed in close co-operation with Renanlt of France, the Swedish group's industrial partner with which it has entered into a far-reaching strategic alliance.

"The next time will be a co-operation with Renault, where we will agree a product plan covering both companies, but with a clear differentiation of the products and their qualities. But we will strive to have as many components in common as possible and to do as mnch research and development as possible together."

The dramatic events of the last 18 months – with agreement on two strategic alliances with Renault and Mitsubishi Motors – mean that Volvo feces a radically different future in developing new prodnct generations for the 1990s.

The alliance with Renault will shape the replacement product generations for the 800 and the 900/700 large car ranges, while the present 400 series built in the Netherlands will be replaced in the mid-1990s with products drawing heavily on the planned co-operation with Mitsubishi.

Renault would provide the engines, transmissions and some other components for the Volvo derivatives of the new products to be developed with Mitsubishi, says the Volvo chairman. The Japanese carmaker would do "much of the development work for the chassis platform" in Japan.

The new car range represents a dramatic change of direction for Volvo, which has switched to front-wheel drive for the first time in its large car series.

The model unveiled this week, the 850 GLT, is designed to be the top-of-the-range car in the 800 series and, unusually, features a five-cylinder, transverse-mounted, 20-valve 2.5 litre engine generating 170 brake horsepower.

Volvo is seeking to win customers from the likes of Audi, Mercedes-Benz and BMW as it tries to increase its ahare of the world's large family car market from 10 per cent to 12-13 per cent. While holding on to core "Volvo values" of safety and longevity, Volvo is taking the unprecedented step of emphasising "driving pleasure" with the 800.

At the same time, it claims to have broken significant ground with the 800 series, and has patented four innovations with a side impact protection system, SIPS, for side collisions; an automatic self-adjusting seat belt reel; e very compact manual gearbox specially developed for the transverse engine, and its so-called Delta-link semi-individual rear-wheel suspension system.

Production is forecast to reach around 25,000 units in the first model year beginning in August, but Volvo is aiming to reach a peak of more than 200,000 cars a year in the 800 range during the first half of the 1990s.

Job cuts at Dutch affiliate

VOLVO CAR, the Dutch affiliate of Volvo of Sweden, aims to reduce operating costs by up to 15 per cent and to eliminate several hundred jobs in the run-up to its planned joint venture with Mitsubishi Motors of Japan, writes Ronald van de Krol in Amsterdam.

Volvo wants to reduce Volvo Car's "break-even" point to a production level of 100,000 cars per year through its cost-reduction drive.

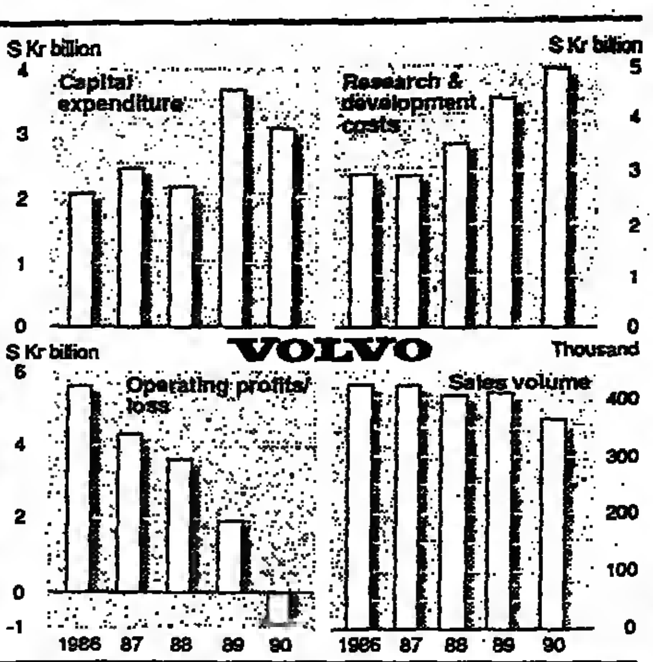
In 1990, the company, which is currently 70 per cent owned by the Dutch state and 30 per cent by Volvo, posted a net loss of Fl 76m ($38m) on annual output of 121,343 cars.

The Dutch government is to sell a 33.3 per cent stake in Volvo Car to Mitsubishi later this year, turning the company into a three-way partnership between the Dutch state and the Swedish and Japanese carmakers.

Volvo Car will cut approximately 380 non-production jobs and eliminate an unspecified number of other jobs throughout the organisation by offering workers early retirement and freezing the hiring of temporary workers.

Union officials said the number of jobs lost could reach 1,200 out of a total workforce of 9,000.

Volvo Car would look "very seriously" at union demands that the job losses be made at all levels, including senior management.



Olivetti may help SMT-Goupil

By William Dawkins in Paris and Haig Simonian in Milan

THE FRENCH government has asked Olivetti, the Italian electronics group, to consider taking a stake in the loss-making SMT-Goupil, France's last independent maker of micro-computers.

SMT-Goupil, the subject of a management bny-ont four years ago, is on the brink of collapse, with dehts at FFr750m ($123.4m) after a FFr450m loss in the 15 months to last March.

Mrs Edith Cresson, the prime minister, discussed the group's future with Mr Carlo De Benedetti, Olivetti's chairman, earlier this week and Olivetti officials believe an agreement is possible in the next few days.

It is understood that Olivetti's decision hangs on the completion of a financial rescue package for SMT-Goupil, being negotiated between the Finance Ministry and a consortium of bank lenders, led by Société Générale.

This is the latest French government attempt to co-ordinate an industrial bail-out since last month's temporary rescne for VEV, the ailing textiles group. The SMT-Goupil plan could include a debt reschednling and an issue of new shares, to which France Télécom, a minority investor in the stricken compnter group, would also subscribe.

Olivetti could then take part in a later capital increase, possibly in a year's time.

Siemens-Nixdorf, the German computer group, said yesterday it was discussing a technical and industrial accord with SMT-Goupil, but it would not be part of a rescue.

Norwegian pulp group net halved

By Karen Fossli in Oslo

NORSKE Skogindustrier, one of Scandinavia's biggest pulp and paper producers, has blamed a significantly weaker pulp market for depressed net profits. The company said profits for the first four months of the year fell to NKr213m ($30.6m) from NKr430m last time, and it forecast a poorer result for the whole of 1991 compared with 1990.

Group operating profits were NKr245m against NKr439m. Norske Skog said last year's first four months had been boosted hy a repayment of NKr68m by Papeteriesde Golbay, covering outlays incurred when the company was established. It said this year's figures were forced down by a weak domestic building prodncts sector. Inventories of sawn timber and newsprint were higher than budgeted at the end of the reporting period.

Group operating income fell to NKr3.02bn from NKr3.21bn e year earlier, but Norske Skog's equity ratio rose to 33 per cent from 32 per cent.

The company said that markets for chemical and mechanical pulp were affected by overcapacity, following unusually strong expansion during 1989-90. Prices had also fallen and maintenance had shnt some production for three weeks.

● Bergesen, the big Norwegian shipowner, said that pre-tax profits for the first four-month period of 1991 dipped to NKr367m from NKr391m. The company attributed the fall to a NKr6m loss on the sale of securities against a NKr159m gain last year, writes Karen Fossli.

INTERNATIONAL COMPANIES AND FINANCE

Tate & Lyle threatens to drop its Bundaberg bid

By Mark Westfield in Sydney

TATE & Lyle, the UK sweetener group, raised the stakes in its A$325m (US$246m) hostile bid for Australian sugar miller Bundaberg Sugar Ltd yesterday by threatening to walk away if it did not receive acceptances for 50 per cent by June 28.

Mr James Kerr Muir, Tate & Lyle director, said yesterday his group would not drop its conditions of 90 per cent acceptance until it was assured of control.

"If we don't succeed now, we will go away," he said.

"We won't be coming back at $3.50, $3.10 or any other price."

Tate & Lyle launched its bid 12 weeks ago and has added only 2.5 per cent of the capital to the 2.8 per cent it acquired before announcing the takeover.

Mr Kerr Muir reiterated that Tate & Lyle would not increase its offer of $4.10 a share which he has described as "generous and final".

Institutional shareholders who account for about 50 per cent of Bundaberg's shares remained unimpressed with the ultimatum.

"I'm as good as anyone at cards," said Mr Ross Finley, a senior fund manager at Bankers Trust Australia which has 7.6 per cent of the stock.

The institutions are also aware that Tate & Lyle had denied it would increase its initial offer of A$3.70 a share and expect the UK group to have to sweeten its offer if it wishes to win control.

Tate & Lyle and the institutional shareholders who will decide Bundaberg's fate over the next fortnight will attempt to stare each other down to see who breaks first. The UK raider will hope the institutions cave in and accept the offer, while the shareholders say they will call Tate & Lyle's bluff and expect an increase in the bid by at least 11 cents.

"They are creating a lot of tension, but with a slight increase they could probably win Bundaberg," said one fund manager.

Mr Kerr Muir is doing the rounds of the institutions this week to try to persuade them to accept the $4.10 offer.

Yesterday he criticised the valuation of between A$4.54 and A$5.16 a share of Bundaberg by adviser Macquarrie Bank as being "theoretical, unrealistic and incomplete".

He said Bundaberg's share price would probably fall back to below A$3 if the bid lapsed.

Mr David Poole of Macquarrie Bank responded to the criticism by pointing out that Bundaberg traded as high as A$4.50 a year ago and that its price reflected the fall in the sugar price this year.

Regional banks fall to Y788bn

By Emiko Terazono in Tokyo

THE JAPANESE regional banks' combined pre-tax profits fell for the second consecutive year, declining 2.4 per cent to Y788.2bn (US$5.7bn) for the year to March.

The Regional Banks Association of Japan announced business profits, a measure of profits from banking operations, for the 64 regional banks fell by 9.8 per cent during two years to Y773.1bn. After-tax profits declined 7.8 per cent to Y404bn, the first fall since fiscal year 1985.

The smaller banks have been hit by deregulation of interest rates, as higher interest rates on deposits have squeezed margins. The average return on lending rose 1.44 percentage points to 6.9 per cent, but the average cost of funds increased by 1.69 percentage points to 6.73 per cent. As a result, margins narrowed 0.25 points to 0.17 per cent.

On the other hand, combined pre-tax profits for "shinkin banks", or credit associations, grew 16.5 per cent to Y484.3bn. The National Association of Shinkin Banks said that business profits increased 10.5 per cent to Y629.8bn.

Shinkin officials attributed the strong rise to increased lending to small businesses. Smaller companies have turned to shinkin banks for loans, reflecting tighter loan policies of the commercial, or city banks, due to capital adequacy requirements of the Bank for International Settlements. The outstanding balance of loans rose 12 per cent to Y60,258.2bn. The average margin rose 0.03 percentage points to 0.75 per cent.

EARNINGS COMPARISON OF REGIONAL AND CITY BANKS (Ybn)

	Regional Banks 1990-91	% change	City Banks 1990-91	% change
Business	773	−9.9	1,462	−3.0
Pre-tax profits	788	−2.4	1,658	−23.4
Deposits	159,151	+1.5	328,367	−3.6
Loans	119,058	+5.2	286,029	+5.6

Lucky Goldstar to restructure

By John Ridding in Seoul

LUCKY Goldstar, one of South Korea's largest conglomerates, is to restructure its chemical operations in line with a government policy of encouraging specialisation in industry.

Under the restructuring, Lucky Ltd, Korea's largest general chemicals company and one of the largest subsidiaries in the Lucky Goldstar group, is to merge with three other subsidiaries – Lucky Advanced Materials, Lucky Polychemical and Lucky Pharmaceutical.

Lucky Goldstar said the merger is intended to rationalise management within the chemical businesses and increase its competitiveness. A spokesman said management would be streamlined.

"Through the merger, Lucky Ltd. could rise to become one of the world's 20 biggest chemical companies by the year 2000, compared with its current ranking of between number 50 and number 60," he said, adding that combined annual sales of Lucky Ltd. would rise to about Won2,300bn ($3.17bn) this year from last year's level of Won1,800bn.

But analysts said that the primary motive for the reorganisation was to take advantage of easier credit to be made available to specialised companies under a new government policy.

According to the policy, which took effect at the beginning of this month, each of South Korea's 30 largest conglomerates can nominate three "core businesses" which will be freed from existing credit constraints.

Bank credit for non-core group businesses is to be further tightened. Lucky Goldstar selected Lucky Ltd as one of its core businesses.

"Lucky's move is the sort of restructuring we expected would follow the government's policy on industrial specialisation," said one analyst at a foreign securities company. "We don't think it will lead to substantial change within the group."

Lucky Goldstar said there will be no change in staff numbers and the merger would be completed by October 31.

Shares in Lucky Ltd rose Won100 to Won16,200 yesterday. Shares in Lucky Advanced Materials, the other of the four companies which is listed on the stock exchange, fell Won500 to Won18,300.

Currently, the paid-in capital of the companies is: Won270bn for Lucky Ltd; Won40.5bn for Lucky Advanced Materials; Won15bn for Lucky Polychemical; and Won3.2bn for Lucky Pharmaceutical.

Maker of turtle toys plans offer and placing

By Angus Foster in Hong Kong

LOVERS of Teenage Mutant Ninja Turtles who have seen the movies and bought the toys can now buy the shares – again.

The company behind the design and marketing of the Turtle toy range, Playmates Holdings, is already listed in Hong Kong and has been one of the best performing stocks in Asia following the spectacular success of the pizza-loving reptiles.

Now, the main manufacturer, Harbour Ring International, is offering 320m new shares at HK$1.03 and a placing to raise HK$347.6m (US$45m). The money will be used to expand capacity in China and Macau and to buy office space for the company in Hong Kong. The company expects to be listed on the Hong Kong stock exchange on July 5.

The two companies have independent management but have grown closer since Playmates took a 30 per cent stake in Harbour Ring in 1989. Playmates then concentrated on marketing and transferred production of the turtle range to Harbour Ring. Following the offer Playmates' stake will fall to 21.75 per cent.

The companies are very different. Playmates is unusual in Hong Kong because it designs and markets its own products. Harbour Ring is a traditional Hong Kong original equipment manufacturer.

Harbour Ring, and its new issue manager Standard Chartered Asia, are stressing that the company makes toys for other customers, such as Mattel and Tomy. But Harbour Ring's profit forecast for the six months to the end of June of HK$108m includes HK$66m from turtles. Last year 88 per cent of turnover was sales to Playmates.

The company's reliance on a single product range has worried some analysts. But others point to the company's offer price, on an historic price earnings ratio of 4.1 times, as good value.

HK company sets up group to invest in Macau

A NEW INVESTMENT holding company has been set up by Hong Kong financial services company Sun Hung Kai aimed at investing in Macau, the Portuguese enclave 40 miles along the Chinese coast from Hong Kong, writes Angus Foster in Hong Kong.

The company has paid-up capital of HK$256m (US$32m) and is the first such vehicle investing in Macau. It has the backing of leading Macau businessmen like Dr Stanley Ho, who is also an investor in Macau's new airport and infrastructure projects.

AustCons sells Packer TV stake

AUSTRALIAN Consolidated Investments Limited has sold its remaining holding in Mr Kerry Packer's Nine Network Australia after several statements during the year that its holding was a long-term one, writes Mark Westfield.

AustCons, formerly Bell Resources, sold 205m shares at 48 cents each late on Wednesday evening to raise A$98.5m (US$74.6m).

It originally held 27 per cent of Nine Network following Mr Packer's takeover of Bond Media from Bond Corporation a year ago.

AustCons has sold down the stake in three tranches at between 55 cents and 48 cents.

Danish investors regain power at Malaysian group

By Hilary Barnes in Copenhagen

DANISH investors have regained control of a Malaysian plantations company, United Plantations Berhad, which they lost in 1982 as a result of the Malaysian government's policy for local control.

The development follows a decision by Malaysian businessman Y. Bgh. Tan Sri Haji Ismail to sell a 19.1 per cent holding in UP which was held by his company, Food Industries Malaysia.

It is being bought by Aarhus Olie, the Danish vegetable oils refiner, which hae also acquired a second block of shares to give it a total holding of 31.7 per cent plus an option on a 16.8 per cent block held by the Kuwait Investment Office. Other Danish investors hold about 15 per cent to 20 per cent of the shares and are regarded by Aarhus Olie as friendly.

UP owns a 27,000 hectare plantation in Perak. It was founded by Dato' Seri B. Bek Nielsen, a Dane who is resident in Malaysia and is a board member of UP and Aarhus Olie. The Danish company has made an advantageous deal, according to Mr J. Handberg, the company's chief executive.

Philippines to sell bank seized from friend of Marcos

By Greg Hutchison in Manila

PHILIPPINE National Bank will buy California Overseas Bank for $11.7m, and after rehabilitation – expected to take a year – will merge the US bank with Century Bank, also based in California.

California Overseas Bank, which has six branches in the US and one in Guam, was previously owned by Mr Roberto Benedicto, an associate of Mr Ferdinand Marcos, the late president.

The bank was seized by the Presidential Commission on Good Government.

National Semiconductor ends year on a flat note

By Louise Kehoe in San Francisco

NATIONAL Semiconductor of the US eked out a small net profit for its fourth fiscal quarter but earnings were boosted by a one-time credit.

The Silicon Valley semiconductor manufacturer reported net earnings of $5.6m, or 3 *cents per share, for the fourth* quarter, compared with earnings of $4.7m, or 2 cents per share, in the same period a year ago. But the earnings figure *includes a $6.3m from* the sale of an equity investment.

Fourth-quarter revenues declined to $444.9m from $456.3m.

For the year, National reported a net loss of $151.4m, or $1.56 per share, compared with a loss of $25m or 34 cents per share in fiscal 1990.

The 1991 results *include* a first-quarter restructuring charge of $143.6m and a gain from the sale of the company's production facility in the state of Washington. Revenues for *fiscal 1991 were $1.7bn, up from* $1.68bn in fiscal 1990.

Dr Gilbert Amelio, who on last month succeeded Mr Charles Sporck as National's president and chief executive officer, said the fourth quarter results met the company's expectations.

"During the quarter, the company continued to strengthen its already healthy balance sheet, increasing its cash position, while reducing debt," Dr Amelio said.

"We expect the current flat economic conditions which we're experiencing in the US to continue throughout the remainder of this calendar year.

"Given this economic environment, along with the traditional summer slowdown in the semiconductor business, we are cautious in our outlook for the industry through the remainder of calendar 1991," Dr Amelio added.

National Semiconductor reported a third-quarter profit of $5m, or 2 cents a share, after a pre-tax gain of $21.1m which included the sale of a wafer fabrication plant.

● NTT Data Communications Systems has bought a 50 per cent stake in a US subsidiary of Japanese software maker MIS International, Reuters reports.

MISI, based in Los Angeles, develops, produces and sells computer software systems in the US. NTT Data, fully owned by Japan's largest telecommunications carrier Nippon Telegraph and Telephone (NTT), designs and manufactures computer systems.

NTT Data, which did not disclose what it had paid for the US company, said it wanted to have a share in a company making software.

Ranger enters transition period

By Bernard Simon in Toronto and Karen Fossli in Oslo

THE FUTURE of Ranger Oil, the Calgary-based energy producer with sizeable North Sea interests, has been thrown into confusion with the death of its founder and the withdrawal of one of the company's two largest shareholders.

Westcoast Energy, a Vancouver pipeline utility, has sold its 10.8 per cent stake in Ranger, leaving Norway's Norsk Hydro as Ranger's only substantial shareholder with an 11.8 per cent interest. Westcoast's stake was sold into the market to a sizeable number of investors. Ranger is currently valued at around C$700m (US$614m).

Norsk Hydro made an unsuccessful effort earlier this year to sell its shares. Westcoast's withdrawal and the sudden death last weekend of Mr Jack Pierce, Ranger's founder and chief executive, has fuelled speculation that the Norwegian utility may now be willing to hold on to or even expand its holdings in the company.

British institutional investors also hold sizeable, though *smaller, blocks of Ranger* shares.

Last night Mr Torleif Enger, Hydro's vice president in charge of exploration and production, was due to return from London where he had been engaged in talks with Ranger since last Friday.

Mr Denis Mote, analyst at *Maison Placements* in Toronto, predicted that a takeover bid for Ranger would emerge within a year. "I still think the company's in play," Mr Mote said.

The large number of options available to Ranger was underlined yesterday by the appointment of Mr Simon Reisman, formerly one of Canada's most senior civil servants, as the new chairman of the company.

Mr Reisman, aged 71, is unlikely to take an active role in running the company but has a wide network of contacts both in North America and abroad. Ranger said its board *of directors will for the* time being exercise the powers of chief executive.

The company's future is further complicated by its financial condition. Earnings fell by 39 per cent in the first quarter to US$4.7m on operating revenues of US$34.6m.

Ranger has warned that its cash flow will shrink this year as production falls from the Ninian Field, in which it has a 12 per cent stake. It recently scrapped plans to operate a natural gas-fired power station at Great Yarmouth, Norfolk, after failing to find gas supplies at an acceptable price.

Ranger's shares were trading at C$8¼ on the Toronto stock exchange yesterday morning, compared with the C$9 per share sought by Norsk Hydro when it put its stake on the block in March.

SEC looks at Time Warner rights issue

By Karen Zagor in New York

TIME Warner's controversial rights offering, which the company *hopes will bring in* as much as $3.5bn, is being scrutinised by the Securities & Exchange Commission. The US watchdog says it could delay the offer for a month.

Time Warner, the world's biggest media and entertainment company, is proposing to issue 34.5m new shares through a rights offering to current shareholders.

The price of the new issues will range between $63 and $105 a share, depending on how many rights are exercised.

In the US, all new stock issues must receive regulatory approval, and analysts were not surprised that the SEC would plan a full review of an offer as large and complex as *the Time Warner proposal.*

The company hopes to take advantage of any extra time to persuade investors of the merits the offer's structure and the *benefits of a strengthened* balance sheet.

The company is facing a number of lawsuits from holders who claim the offer is coercive and that the *dilution* will be harmful. Time Warner plans to use the proceeds to reduce its $11bn debt-load.

On the other hand, Time Warner had timed the offer to take advantage of the stock market's strength. When the offer was announced on June 6, the Dow Jones Industrial Average had closed above 3,000 for a week and Time Warner shares were trading above $120.

However, by mid-day Wednesday, the Dow had slid to 2958.15, and further erosion *in the stock market* could hurt the company's share price, thereby making the offer less attractive.

Argentine airline dispute unresolved

By John Barham in Buenos Aires

THE NEW owners of Aerolineas Argentinas, the Argentine airline privatised last November, have again failed to reach agreement with *the government over payment* for the company.

The consortium holding 85 per cent of the company was to have delivered US$770m in foreign debt certificates to the government on Wednesday as the final instalment of their $1.61bn cash and debt-forequity acquisition.

However, the economy ministry in a terse statement said Aerolineas was expected to deliver only $300m in debt certificates, with a market value of about $100m.

Aerolineas, in which Iberia, the *Spanish state-owned* airline has a majority stake, claims the government still owes it $150m for items missing from the original inventory and *for honouring tickets* sold last year while the airline was still in government hands.

That "debt" approximately equals the $470m in debt certificates withheld.

The dispute has been simmering since the privatisation in November, but economy ministry officials say the problem should be sorted out by the end of this month.

In April, both sides agreed to new payment terms, with two instalments in May and *June, an arrangement* that was to have compensated for the $150m debt. The government has refused to hand over the shares until it receives full payment.

Hongkong Bank boosts net income in Canada

By Angus Foster in Hong Kong

HONGKONG Bank of Canada has remained a rare bright spot for its Hong Kong parent, reporting a 29 per cent increase in consolidated net income for the six months to the end of April to C$25.8m (US$22.6m).

Consolidated assets increased 62.7 per cent to C$10.9bn. The steep rise partly reflected the bank's takeover last year of the loss-making Lloyds Bank Canada, which is now "proving a success", the bank said.

Hongkong Bank of Canada is a wholly-owned subsidiary of HSBC Holdings, the London incorporated holding company recently set up by Hongkong and Shanghai Banking.

The Canadian arm's results were better than expected and follow a 40 per cent increase in profits last year. The bank had warned that this year could be difficult because of the recession and the takeover of Lloyds Bank Canada.

The takeover has allowed the bank to lessen its reliance on Asian business which now accounts for about 15 per cent of revenues.

Peoples Jewellers income outpaced by Zale losses

By Robert Gibbens in Montreal

PEOPLES Jewellers, Canada's biggest retail jewellery chain, warned that continued losses *by Zale, its US affiliate*, more than offset Canadian profits for the year ended March 31.

Peoples will report a deficit for the year, against a profit of C$26.1m *(US$22.9)* on sales of C$183m in the nine months ended December 29.

The company owns Zale in an equal partnership with Swarovski *International* of Switzerland. Mr Irving Gerstein, Peoples president, has taken over as full-time chief executive of Zale.

The partnership acquired Zale in 1986 for US$650m in a leveraged buy-out. Two companies operate more than 2,000 outlets in Canada and the US.

Zale has reached a new agreement with its lenders, and employees are investing US$40m in return for a 5.5 per cent equity stake. Its debt has been cut over the past year to US$1bn from US$1.3bn.

Peoples has been trying to sell 10 to 20 per cent of Zale without success since last summer.

● A dispute over policy has led to the abrupt resignation of Mr Marco Genoni as president of Oerlikon Aerospace, a Montreal defence systems producer.

He is being replaced by Mr James Cherry, vice president, finance and corporate strategy.

The Swiss parent company, Oerlikon-Bührle Holding, said in January it could not afford the C$100m it would cost the Montreal unit to switch its ADATS anti-tank defence system technology to peace-time uses in robotics, environmental and aerospace products.

Fifteen ADATS systems have been delivered to the Canadian and US armed forces and existing contracts will keep the plant busy for only a few months.

Motorola to develop Ford chip

By Louise Kehoe in San Francisco

MOTOROLA has won a key contract to supply Ford Motor with microcontroller devices for engine and transmission control. The devices will eventually be used in all Ford cars and trucks.

The companies said they would collaborate in the development of the microprocessor which Motorola would then *supply to Ford.*

The device is targeted for completion by the mid-1990s. Ford plans to introduce the new Power Train Electronic Controller, incorporating the Motorola chip, in stages beginning with selected North American car lines and eventually including the company's entire worldwide production of cars and trucks.

The agreement represents a breakthrough for Motorola, which has been losing ground to competitors for chips that power desktop computers. Apple Computer, one *of* its largest customers, is reportedly considering microprocessors from other suppliers for its next generation of PCs.

The *Motorola device* will replace one currently supplied to Ford by Intel, which competed for the new contract.

Gota profits rise 16% in quarter

GOTA, the parent company of Gota Bank, Sweden's fourth largest commercial bank, yesterday reported a 16 per cent growth in profits to SKr297m ($46.1m) for the first four months of the year, writes Robert Taylor in Stockholm.

The group warned that credit losses were likely to increase this year and that it had raised its reserves by nearly a quarter to SKr402m to cover likely defaults.

INTERNATIONAL CAPITAL MARKETS

Treasuries rally following sharp fall in early trading

By Patrick Harverson in New York and Simon London in London

US bond prices fell sharply in early trading yesterday morning on fresh evidence of a recovering economy, but rallied later in the session as dealers covered short positions in the wake of the big sell-off.

By midday the benchmark 30-year Treasury bond was down $\frac{1}{32}$ at 95¾, to yield 8.549 per cent. At the very start of New York trading the long bond had been over half a point lower, but the issue made up most of that lost ground later in the morning.

The two year note was unchanged at 99$\frac{31}{32}$, yielding 7.060 per cent.

The news that spurred the initial selling was a 0.6 per cent rise in May producer prices, a 1.0 per cent increase in May retail sales, and a 38,000 drop in the number of jobless claims in the week ending June 1.

The figures were above market forecasts and were taken as more proof that the economy is slowly coming back to life.

Prices fell early on because of fears that the recovery could lead to higher inflation, but the fact that the market had been weaker in the days before the figures were released meant that the impact of the data had already been discounted.

Later in the day bond prices firmed as dealers bought bonds to cover short positions. The market was also relieved that yesterday's meeting of the Bundesbank Council left monetary conditions unchanged. Many dealers had taken short positions in anticipation of a further rise in German interest rates.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	104.3906	-1.258	11.27	11.19	10.98
BELGIUM		10.000	06/00	104.3000	-0.100	9.27	9.20	9.16
CANADA *		9.750	06/01	98.6750	-0.650	9.98	9.79	9.69
DENMARK		9.000	11/00	98.5500	-0.075	9.22	9.13	9.15
FRANCE	BTAN	9.000	02/96	99.1921	-0.037	9.19	9.09	8.98
	OAT	9.500	01/01	102.3900	+0.230	9.10	9.06	8.88
GERMANY		8.375	05/01	100.1400	+0.060	8.35	8.36	8.43
ITALY		12.500	03/01	98.9000	-0.250	12.69	12.49	12.90
JAPAN	No 119	4.800	06/99	87.3271	+0.091	7.33	7.07	7.07
	No 129	6.400	03/00	97.5074	+0.240	6.86	6.68	6.64
NETHERLANDS		8.500	03/01	98.0000	+0.050	8.65	8.63	8.69
SPAIN		11.900	07/96	99.6500	-0.108	11.98	11.86	12.08
UK GILTS		10.000	11/96	98-15	+05/32	10.37	10.41	10.34
		10.000	02/01	97-04	+08/32	10.47	10.52	10.40
		9.000	10/08	90-21	+12/32	10.15	10.19	10.07
US TREASURY *		8.000	06/01	97-18	+01/32	8.36	8.21	8.18
		8.125	05/21	96-10	+02/32	8.56	8.41	8.36

London closing. *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Elsewhere among mainland European markets, Sweden plans to issue SKr5bn of bonds maturing 1997 with a coupon of 10.75 per cent.

Bids for the bonds must be channeled through approved dealers no later than June 17, and payment is due on June 24. The government's May issue was of SKr5bn of eight-year bonds. The average accepted rate was set at 10.404 per cent.

■ UK GOVERNMENT bond prices moved higher yesterday in response to a firmer tone in many European markets and UK labour market figures which suggest that wage inflation is falling.

The benchmark 11¾ per cent gilt maturing 2003/2007 rose to 108¼ for a yield of 10.494 per cent, having opened at 107⅞. On the London International Financial Futures Exchange the June gilt futures contract had risen to 90.04 by the close, having opened at 89.28.

However, volume was a light 9,000 contracts. Average earnings in the UK economy grew at year-on-year rate of 8.75 per cent in April, down from 9 per cent in March.

Today the market will focus on retail price index figures for May. Analyst's forecasts centre on a "headline" year-on-year inflation rate of 5.9 per cent compared with 6.4 per cent in April.

■ JAPANESE government bond prices recovered yesterday following six consecutive days of falling prices in which yields had risen towards 7 per cent.

The benchmark government bond issue No 129 opened on a yield of 6.91 per cent in Tokyo and quickly slipped to 6.93. However, the market recovered in later trading as dealers bought bonds to cover short positions and the No 129 closed to yield 6.85 per cent.

Short covering was also in evidence in the futures market. The September JGB futures contract rose to 94.85 from an opening level of 94.49.

Many analysts suggest that benchmark yields will again push up towards the 7 per cent level next week. There is mounting evidence that the US economy is pulling out of recession and this could limit the scope for further monetary easing in the US and therefore prevent an early easing of monetary conditions in Japan.

■ THAILAND'S economic policy screening committee approved a finance ministry proposal to raise the annual foreign loan limit for government and state agencies to $2bn from $1.5bn, Reuter reports from Bangkok.

The committee has endorsed plans for state enterprises to seek $1.96bn of foreign loans for 31 development projects during the fiscal year starting October 1.

Among projected borrowings are state-owned Thai Airways International seeking a $188m loan for two McDonnell Douglas aircraft and $47.6m for two British Aerospace aircraft.

GOVERNMENT BONDS

■ GERMAN government bonds continued to show resilience yesterday despite the weakness of the US bond market and the weakness of the D-Mark against the dollar on the foreign exchange markets.

The September bund futures contract on the London International Financial Futures Exchange traded up to around 85.58 by late afternoon, having opened at 85.35.

Volume was a healthy 33,000 contracts. Prices were marked down sharply following the release of producer price index figures in the US which suggest that the US economy is recovering.

The bund future hit a low of 85.20 shortly after the US figures were announced. The dollar continued to rise on the foreign exchange markets, peaking at DM1.8090 before falling to below the DM1.80 level.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on June 13

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	101¾	-⅛	8.04
ALBERTA PROVINCE 9 3/8 95	600	102¾	103¼	-⅛	8.53
AUSTRIA 8 1/2 00	400	97¾	98	-⅛	8.87
BANK OF TOKYO 8 3/8 96	100	98½	99		8.76
BELGIUM 9 1/8 92	400	101¼	101¾	-⅛	7.99
BFCE 7 3/4 97	150	97¾	98¼		8.27
BNP 8 5/8 94	300	101¼	101½	-⅛	8.19
BP CAPITAL 9 5/8 93	150	102¾	104¼		7.92
CANADA 9 96	1000	102¼	102¾	-⅛	8.32
CARCO 9 1/4 96	650	99¼	99¾	-⅛	9.46
CCCE 9 1/4 93	300	103	103½		8.35
COUNCIL EUROPE 8 96	100	98¼	98¾		8.45
CREDIT FONCIER 9 1/2 99	300	103¼	103½		8.89
DENMARK 0 98	250	54	54½	-⅛	9.10
DENMARK 8 1/4 94	150	100½	100¾		8.05
ECSC 8 1/4 96	193	99¼	100¼	+⅛	8.29
EEC 7 1/4 93	250	99¼	100	-⅛	7.54
EIB 7 3/4 96	250	97¾	98¼	+⅛	8.31
EIB 9 1/4 97	1000	102¼	102½	-⅛	8.78
ELEC DE FRANCE 9 98	200	101¼	101¾		8.65
EUROFIMA 9 1/4 96	100	102¼	102¾	+⅛	8.67
EXPORT DEV CORP 9 1/2 98	150	103¼	103¾		8.81
FINLAND 7 7/8 97	200	95½	96¼	-⅛	8.38
FINNISH EXPORT 9 3/8 93	200	103	103¼	-⅛	8.50
FORD MOTOR CREDIT 9 1/2 95	300	102¾	102¾		8.31
GEN ELEC CAPITAL 9 3/8 96	300	103	103¼	-⅛	8.61
GMAC 9 1/8 96	200	100¼	100¾	+⅛	9.04
HALIFAX 9 1/2 93	200	101¾	102¼	-⅛	8.45
IBM WORLD TRADE 7 5/8 93	150	100	100¼	+⅛	7.59
IND BK JAPAN FIN 7 7/8 97	200	95½	96¼		8.80
INTER AMER DEV 7 5/8 96	200	96¼	96¾		8.50
ITALY 8 1/2 94	1500	101¼	101½		8.08
JAPAN DEV BK 8 94	150	100¼	100¾	-⅛	7.94
KANSAI ELEC PWR 10 96	350	104¼	104¾	+⅛	8.79
LTCB 8 3/8 93	150	101	101½	-⅛	7.95
NEW ZEALAND 8 93	100	100¼	100¾		7.93
NIPPON CRED BK 9 3/4 93	150	103¼	103¾		8.18
NIPPON TEL & TEL 9 3/8 95	200	103¾	104¼	+⅛	8.18
NORDIC INV BANK 9 93	200	102½	102¾	-⅛	7.70
ONTARIO HYDRO 11 5/8 94	200	107¾	108¼	-⅛	8.32
OSTER KONTROLLBANK 8 1/8 93	200	100¾	101¼	-⅛	7.62
PETRO-CANADA 7 1/4 96	200	94¾	95¼		8.63
PRUDENTIAL RLTY SECS 0 99	365.216	49¾	50¼	-⅛	9.60
QUEBEC HYDRO 9 3/4 98	150	102¾	103¼		9.22
QUEBEC PROV 9 98	200	99¼	99¾		9.17
SAINSBURY 9 1/8 96	150	100¾	101¼	-⅛	8.89
SAS 10 99	200	98¾	100	-⅛	10.20
SBAB 9 1/2 93	500	103¼	103¾	-⅛	8.50
STATE BK STH AUST 9 1/4 93	100	101¾	102¼	-⅛	8.19
SUMITOMO BK CAP MKT 9 3/8 93	150	102¼	102¾	-⅛	8.22
SWEDEN 8 1/8 94	150	100¼	101	+⅛	8.02
SWEDISH EXPORT 9 5/8 93	100	103¼	103½		7.55
TOKYO METROPOLIS 8 1/4 96	200	99	99½		8.47
WORLD BANK 8 3/8 99	1500	98½	98¾		8.79
WORLD BANK 8 3/4 97	1500	101¼	101¾		8.56
XEROX CORPN 8 3/8 96	100	95½	96¼	+⅛	9.48

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	89½	89¾	+⅛	8.29
DEUTSCHE FINANCE 7 1/2 93	1000	97½	97¾	-⅛	8.31
EEC 5 3/8 93	300	95¼	95¾	+1⅛	8.82
EIB 5 3/4 98	400	86¼	86¾	+⅛	8.49
EIB 6 7/8 93	300	94¼	94¾	+1	8.50
EUROFIMA 6 1/4 98	400	88¼	88¾		8.52
FERRO DEL STAT 5 3/8 93	500	95	93		8.85
IND BK JAPAN FIN 5 5/8 96	200	88	88	+⅛	8.75
IND DEV BK INDIA 6 3/8 94	200	87½	87¾	-⅛	10.80
INTER AMER DEV 7 1/4 99	300	93¼	93¾	+⅛	8.44
LUFTHANSA INT FIN 5 7/8 90	900	86¾	86¾		8.47
MET EST & PROP INTL 7 99	150	86½	86¾	+⅛	9.49
NAT BK HUNGARY 8 96	200	91¼	91¾	+⅛	10.16
QUEBEC HYDRO 6 3/4 99	300	89¼	89¾		8.72
SWEDEN 6 1/8 99	300	89¼	89¾		8.26
VENEZUELA 8 1/4 93	100	95	95		10.65
WORLD BANK 0 15	2000	16¼	16½	+⅛	7.69
WORLD BANK 5 3/4 96	300	87¼	87¾	-2	9.05
WORLD BANK 7 1/8 95	500	94¾	95¼	-1¼	8.89

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	93	94	-1	6.65
AUSTRIA 4 5/8 93	100	91½	92		6.22
CHUHTSUYA 7 3/4 95	50	102¼	103		7.10
COUNCIL EUROPE 4 3/4 98	250	90½	91		6.55
EEC 5 1/2 00	100	92	92½	-½	6.66
EIB 5 3/4 93	100	97¾	98	-¼	6.79
ELEC DE FRANCE 7 1/4 06	100	104½	105½		6.75
FINLAND 5 3/8 99	150	96	96½		6.44
GENERAL MOTORS 7 1/2 95	100	102¾	103¼		6.65
JAPAN DEV BK 5 1/2 94	100	97		-⅛	6.75
NEW ZEALAND 4 7/8 99	200	89	89½		6.76
QUEBEC HYDRO 5 08	100	81	81½	-½	6.95
SKANDINAVISKA ENSK 6 1/2 95	100	98	99	+½	7.13
WORLD BANK 5 03	150	86½	87	-½	6.65
WORLD BANK 7 1/4 92	100	100½	100¾	-⅛	6.74

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94¼	94½	-⅛	7.24
CANADA 4 3/8 92	80000	97	97¼		7.49
CREDIT FONCIER 5 1/4 94	20000	93¾	94¼	-½	7.35
DENMARK 7 95	40000	99¾	99¾	-¼	7.18
EIB 4 5/8 94	40000	93½	93¾		7.18
GENERAL ELECTRIC 5 3/4 93	35000	96½	97¼		7.65
INTER AMER DEV 7 1/4 00	30000	100¾	101	-⅛	7.13
ITALY 5 3/4 92	150000	99	99¼		7.24
KANSAI ELEC PWR 4 5/8 94	60000	93	93¼	-⅛	7.40
NIPPON TEL & TEL 5 7/8 96	50000	95	95¼	-⅛	7.03
NORWAY 5 1/8 95	60000	93¼	93¾	-⅛	7.09
SWEDEN 5 5/8 95	20000	94½	95	-⅛	7.15
WORLD BANK 6 3/4 00	50000	98	98¼		7.06

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼	+⅛	9.20
KREDIETBANK 7 93 LFr	1000	96	97	+¼	9.11
WORLD BANK 8 96 LFr	1000	96	97		9.04
AMRO BANK 6 1/4 92 Fl	150	96¼	96¾		9.87
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.33
ALBERTA PROVINCE 10 92 C$	500	100¼	100¾		9.71
BCE INC 9 5/8 93 C$	300	99	99½		10.21
BELL CANADA 10 5/8 99 C$	150	98¼	98¾	-⅛	10.93
BRITISH COLUMBIA 9 1/4 93 C$	150	98¼	99¼		10.02
EIB 10 1/8 98 C$	130	98¾	99¼	-⅛	10.40
FORD CREDIT CANADA 10 94 C$	100	97¾	98¼	-⅛	10.80
GENERAL ELECT CAP 10 1/4 93 C$	175	100¼	101		10.01
MONTREAL TRUSTCO 8 1/2 92 C$	100	98	98¾	-⅛	10.91
ONTARIO HYDRO 10 7/8 99 C$	500	100¾	100¾	-⅛	10.76
QUEBEC PROV 10 1/2 98 C$	200	98	98¼	-⅛	10.88
ROYAL TRUSTCO 10 1/4 95 C$	100	99	99½		10.83
SWEDEN 9 3/4 93 C$	250	100¼	100¾		9.65
BELGIUM 9 1/8 96 Ecu	1250	100	100¼	-⅛	9.11
CNT 7 3/8 93 Ecu	750	95¾	96¼	-⅛	9.98
CREDIT LYONNAIS 9 96 Ecu	125	96¼	98¼	-1⅛	9.96
DENMARK 7 5/8 96 Ecu	250	90¾	92¼	-⅛	10.08
EEC 7 5/8 94 Ecu	200	96¼	96¾	-⅛	9.23
EIB 10 97 Ecu	1125	104¼	104¾	-⅛	8.96
ITALY 10 3/4 00 Ecu	1000	108¼	108¾	-⅛	9.27
UNITED KINGDOM 9 1/8 01 Ecu	2750	100	100¼	-⅛	9.11
BMW FINANCE 14 1/2 92 A$	100	102	102¼		11.78
COUNCIL EUROPE 13 93 A$	50	101¼	102¼	-⅛	12.13
EKSPORTFINANS 12 3/8 95 A$	75	103¼	103¾	-⅛	11.27
FORD CRED AUST 13 93 A$	50	100¾	101¼	-⅛	12.65
KI 15 1/2 92 A$	100	103¼	104¼	+⅛	11.44
MCDONALDS CANADA 15 93 A$	100	108¼	109¼	-⅛	12.12
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106	106½	-⅛	11.91
STATE BK NSW 14 1/4 99 A$	100	108½	109	-⅛	12.49
VOLKSWAGEN INTL 15 94 A$	100	107¼	107¾	-⅛	11.87
ABBEY NATL TREAS 13 3/8 99 £	100	105¾	106¼		11.38
BARCLAYS JERSEY 9 1/2 93 £	250	97¼	97¾		11.05
BRITISH GAS 12 3/4 95 £	300	104½	105	-⅛	11.14
DEUTSCHE BK FIN 11 94 £	225	100¼	100¾		10.82
EIB 10 97 £	366.5	96¼	96¾	+⅛	10.93
FORD CREDIT FUNDING 9 5/8 93 £	90	96¾	96¾	+⅛	11.89
INTER AMER DEV 11 3/8 95 £	75	101¾	102¼		10.80
ITALY 10 1/2 14 £	400	92¼	92¾	+⅛	11.48
LAND SECS 9 1/2 07 £	200	79¾	80¼	-⅛	12.46
LEEDS PERMANENT 9 1/4 93 £	50	96¼	96¾	-⅛	11.41
NORWAY 10 1/2 94 £	300	99¼	99¾		10.78
ROLLS-ROYCE 9 5/8 93 £	150	96½	97		11.63
SAINSBURY 10 7/8 93 £	100	99¼	99¾		11.23
SKANDINAVISKA ENSK 13 1/8 95 £	100	104½	105	+⅛	11.51
WORLD BANK 11 1/4 95 £	100	101½	102	+⅛	10.75
ABBEY NATIONAL 0 96 NZ$	100	57¼	58¼		11.08
TELECOM NZ O/S FIN 13 1/8 95 NZ$	75	104¼	105¼		10.60
AIDC 7 7/8 93 FFr	600	96	96½		9.86
CREDIT LYONNAIS 10 95 FFr	3200	101¾	101¼		9.56
EURATOM 7 5/8 98 FFr	500	91¾	92¼	-⅛	9.24

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.08	100.10	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.60	99.70	11.9550
BANCO ROMA 0.03 01	200	93.25	94.25	7.9363
BANCO SANTO SPIRITO 95	200	99.60	99.73	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.08	9.1250
BFCE -0.02 96	350	99.93	100.03	6.1050
BNP 05	300	95.88	96.75	6.0625
BRITANNIA 1/10 96 £	150	94.20	99.40	11.9750
CCCE 06 ECU	200	99.88	99.96	9.5938
CITIZENS FED 0.15 96	100	99.35	99.80	7.0250
COMMERZBK O/S FIN 93	200	99.96	100.07	6.5625
DENMARK -1/8 96	1000	99.64	99.74	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.82	99.92	9.2656
ELEC DE FRANCE 1/8 99	400	100.30	100.60	7.0000
FERRO DEL STAT 94	200	100.38	100.63	6.8750
HALIFAX 1/10 94 £	200	99.91	100.01	11.7250
HILL SAMUEL 1/4 PERP	75	82.01	85.00	6.4375
MITSUI FIN ASIA 1/8 96	100	99.68	99.78	7.0000
MORGAN (JP) 1/4 97	250	98.75	99.25	6.2500
NAT WEST FIN 3/16 05	400	93.13	94.13	6.5000
NEW ZEALAND 93	500	99.70	99.80	6.5000
QUEBEC PROV 01	300	96.70	96.95	6.1250
RENFE 98	500	99.86	99.96	6.0625
SOCIETE GENERALE 96	300	99.10	99.20	6.3125
STATE BK VICTORIA 0.05 99	125	98.56	98.80	7.8625
UNITED KINGDOM -1/8 96	4000	99.99	100.03	6.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	114¼	115¼	+6.32
ASDA-MFI 4 3/4 02 £	100	1.64	117¾	118¾	+81.60
BURTON GROUP 4 3/4 01 £	110	3.15	118¾	120¼	
EASTMAN KODAK 6 3/8 01	300	50.67	97¼	98¼	+19.04
GOLD KALGOORLIE 7 1/2 00	65	1.0964	70	71	+36.68
GOODYEAR TIRE 6 7/8 03	150	80¼	69¼	71	+68.34
GRACE (WR) 6 1/4 02	150	42¼	91	92	+14.00
HANSON 9 1/2 06 £	500	2.5875	99¾	100½	+18.94
HAWLEY 6 02 PREF	400	1.91	85¾	87¾	+94.10
HILLSDOWN 4 1/2 02 £	150	4.16	109¾	110¾	+97.42
INTL PAPER 5 3/4 02	200	68½	105½	106½	+2.69
LAND SECS 6 3/4 02 £	84	6.72	82¼	83¼	+8.38
MITSUBISHI BK 1 3/4 02	300	2727.1	107¾	109¼	-1.90
OGDEN 6 02	85	39.077	70½	71½	+38.61
PACIFIC DUNLOP 6 3/4 97	75	3.749	104	105	+1.44
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	82½	83½	+98.18
THORN EMI 5 3/4 04 £	103	7.45	111¾	113¼	+11.73

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Brighter future expected for ANZ

By Mark Westfield in Sydney

ANZ Bank Group's chief executive, Mr Will Bailey, said yesterday the worst was over for his bank and its results for the second half of the year to September 30 would be "a little better than the first".

Mr Bailey said the bank's non-performing loans would continue to be "a millstone" for some time, but the recent drop in interest rates had shaved A$50m a year in funding costs of its bad loans.

The ANZ announced a 72 per cent drop in net profit to A$104.2m for the first six months of 1990-1991 and a doubling of bad debt charges for the period to A$534.7m. The bank's non-performing loans – loans on which clients were not paying interest - rose by A$1.89bn to A$5bn over the six months.

Mr Bailey told a Securities Institute meeting that four of the bank's five operating divisions were making good profits and excluding the business banking division, which contained most of the group's bad debts, ANZ would have made a first-half profit of A$285m.

"Our immediate concerns are with restoring the balance sheet," said Mr Bailey. He added that the A$600m converting preference share issue had boosted capital adequacy from just over 8 per cent to 9.6 per cent.

Mr Bailey said the preference share issue was expensive at 13.25 per cent, but was cheaper than a rights issue. It would not dilute the value of ordinary shares to the same extent as a rights issue and would increase the pool of franking credits (that is, the bank's ability to pay tax-free dividends) for ordinary shareholders.

Mr Bailey also said his bank had been holding regular discussions with life group National Mutual Life over ways the two could work together. Former Federal Treasurer, Mr Paul Keating, stopped a proposed merger of the two institutions last year on the grounds that it would have reduced competition.

Last week, National Mutual's main rival, the AMP Society, announced it was forming a "strategic alliance" with Westpac Banking Corporation, in which the two groups would exchange assets and enter a joint venture to sell and distribute life insurance products.

Norwegian savings bank moves into red

By Karen Fossli in Oslo

SPAREBANKEN NOR, Norway's biggest savings bank, plunged into an operating loss of NKr209m in the first four months of this year, after achieving an operating profit of NKr103m in the same period last year.

Sparebanken Nor is the latest in a series of loss casualties experienced this year by Norway's troubled banking sector. Den norske Bank (DnB) is due to announce its first figures for the year on June 18 and analysts' forecasts have varied widely from a small profit to significant losses.

Credit losses by Sparebanken Nor, however, nearly doubled to NKr462.9m from NKr274.5m last year in the same period.

Mr Kjell O. Kran, president, said that despite the poor performance there were a few bright spots, including a rise in operating revenue on a month-by-month basis so far this year.

In the first four months operating revenue increased to NKr294.6m from NKr282.1m while operating profits – before credit losses – fell to NKr253.5m from NKr377.5m.

Mr Kran also expects a reduction in the number of non-performing loans and sees the potential for reducing costs this year through staff reductions and other austerity measures.

Sparebanken Nor said that at the end of the four-month period it had outstanding non-performing loans of NKr2.5bn.

The bank's operating costs rose by 6 per cent, or NKr53m, to NKr888m, owing in part to an increase in payments to the guarantee fund of the savings banks, and to costs associated with the earlier merger between ABC Bank and four small savings banks which now form Sparebanken Nor.

INTERNATIONAL CAPITAL MARKETS

MEPC moves to beat the Bank's auction of stock

By Sara Webb and Tracy Corrigan

MEPC, the UK property group, yesterday tapped the long end of the Eurosterling market.

The unsecured deal was timed to attract investors ahead of the UK government's auction of stock due on June 26. MEPC, which has an A-plus credit rating, issued £150m of 15-year unsecured Eurosterling bonds with a coupon of 12 per cent.

The deal was priced to yield 12.38 per cent with a yield spread of 220 basis points over the 9 per cent UK government bond due 2008.

The UK property investment and development company is keen to borrow long-term, and with about 80 per cent of its assets in sterling, has chosen the Eurosterling market.

Ms Carol Nicholson, finance director at MEPC, said the company's current strategy is to repay some of its floating-rate debt.

Lead manager BZW said that the yield spread over gilts offered on yesterday's issue is 10 basis points higher than that on MEPC's other bond issues – the 9¾ per cent bond due 2004 and the 10½ per cent bond due 2032.

The lead managers were keen to place the issue before details of tha Bank of England's gilt anction are announced: the Bank is auctioning between £1bn band £2bn of medium-to-long-dated gilts on June 26.

The MEPC issue was placed mainly among UK domestic institutions, although one participant commented that the institutiooal investors had been reluctant to buy large holdings since many of them are already overburdened with property-related bonds.

Foreign investors have limited access to the Taiwanese market, so Microtek's $29m 10-

INTERNATIONAL BONDS

year corporate bond with conversion rights attracted some interest, despite its small size.

Nomura is the lead manager.

However, there is no guarantee that the Taiwanese authorities will grant permission for foreign investors to convert the bonds into the underlying equity.

Two other Taiwanese companies have issued similar bonds – Yuen Foong Yu, the Taiwanese paper manufacturing company and Acer, the large Taiwanese electronics maker.

The issue was understood to have been sold to a small group of investors.

The conversion premium of 15 to 17 per cent was seen as low.

The issue was priced at par, bnt traded at between 100½ and 101¼ yesterday.

If conversion rights are granted, the bond will become callable by the issuer on July 31, 1993.

Investors can sell tbeir bonds back to the issuer from July 31, 1996 with a yield of 7.5 per cent.

In the Ecu bond market, NatWest Capital Markets launched its first deal in the sector, an Ecu100m three-year issue for Asea Brown Boveri, the industrial concern.

NatWest became a recognised market maker in Ecu bonds in February.

In the Swiss market, Commerzbank, the German bank raised SFr150m of 10-year subordinated bonds.

The 7 per cent coupon, aimed at retail investors, is ⅛ point higher than for a recent unsubordinated bond issue by Ostereichische Kontrollbank, guaranteed by Austria.

The Swiss market may prove a useful options for banks keen to raise capital, to meet capital adequacy guidelines, dealers said.

● Manufacturers Hanover is to buy Bank of America's stock transfer business. The purchase price was not disclosed, Renter reports from San Francisco.

Bank of America said it is quitting the stock transfer business because it decided there was excess capacity and there was not enough new customer volume to justify a long-term investment.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Mitsui Taiyo Kobe Aust.(b)‡†	50	(b)	102	2001	¼	Mitsui Taiyo Kobe Int
Microtek(c)§	29	(3½-4)	100	2001	2½/1½	Nomura Int.
Nippon Shinpan(d)‡†	10	(d)	100.10	1996	10/7bp	Sanwa Int.
ECUs						
ABB Finance Inc.(a)†	100	9¼	101.225	1994	1⅞	Natwest Capital Mkts.
STERLING						
MEPC(e)†	150	12	99.28	2006	2½/1⅞	BZW Secs.
SWISS FRANCS						
Commerzbank(f)†	150	7	102	2001	·	SBC
D-MARKS						
Trinkaus & Burkhardt(g)†	100	10	101⅛	1994	1½/1	Trinkaus & Burkhardt
NordLB Finance NV(h)†	50	10¼	101	1993	1¼/¾	NordLB
YEN						
Teijin(a)★★†	10bn	6	95.15	1999	2/1½	Daiwa Europe
FRENCH FRANCS						
Credit du Nord(i)†	350	9¼	99.80	1999	35/20bp	Paribas Cap.Mkts

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 6-month Libor + 50bp for first 3 years, then 9½% thereafter. Callable once only after 3 years at par. c) Callable only, if granted conversion rights. d) Coupon pays 6-month Libor + 50bp for first 2 years, then 6-month Libor + 55bp thereafter. e) Coupon payable semi-annually. Non-callable. f) Subordinated issue. Non-callable. g) Redemption either at par or 15 shares in Siemens + DM250 per DM10,000 bond. Non-callable. h) Redemption either at par or in exchange for 14 shares in Daimler Benz. Non-callable. i) Amount increased from FFr300m. Investors have option, each year, to reinvest coupon payments in further fungible bonds at par.

Hungary to tap sterling bond market for first time

By Tracy Corrigan

THE National Bank of Hungary, which borrows on behalf of the Hungarian government, plans to tap the sterling bond market for the first time later this year, after a debnt Eurodollar bond offering next week.

The Bank hopes to raise around £50m through a long-dated sterling bond issne maturing in 20 to 25 years, with a put option after seven years, according to Mr Bela Sandor, general manager (international) at the National Bank.

He said the yield spread over the seven-year gilt would be "below 300 basis points".

Mr Sandor said be boped Hnngary's imminent Eurodollar bond offering would raise its profile with international tovestors.

The National Bank plans to launch its $100m, five-year deal via Bankers Trust International. The launch spread is expected to be set at 280 to 285 basis points above tbe five-year US Treasury yield. The deal will have an option allowing some bonds to be distributed in the US private placement market under US rule 144a. Mr Sandor said he hoped the paper would be bought by fixed-rate investors and would not be asset-swapped and therefore held by banks. This sbould allow Hungary to broaden its investor base.

Hungary has issued bonds in D-Marks, Austrian schillings and Ecu and was a frequent borrower in the Japanese Samurai bond market.

The National Bank plans to launch a further Ecu100m deal and to raise $100m to the US private placement market later this year. Hungary's Bal rating by Moody's, below investment grade, is too low for the Yankee bond market, Mr Sandor said.

These financings – two in dollars and one each in Ecu and sterling – will virtually complete Hungary's $1bn 1991 funding programme.

Hungary has the highest per capita debt of any eastern European country. Successive governments have pledged to continue to service it and it has not defaulted on or rescheduled its debt.

Outcry over screen trading plan

Jim McCallum and Tracy Corrigan on changes at the options market

Floor-based screens may soon be a thing of the past for London's options traders

Proposals to move UK options trading on to computer screens have unleashed ona of the most furious rows in the London derivative markets since they were set up over a decade ago.

Just over seven weeks ago, the boards of the London Traded Options Market and the London International Financial Futures Exchange endorsed plans to switch to screen trading when the two exchanges merge later this year.

Now, the proposals may be dropped and other methods adopted to tackle the chronic problems of illiquidity and lack of transparency in the stock options market.

Mr Michael Jenkins, Liffe's chief executive, said yesterday that changes to existing trading procedures were under consideration. It may be possible to find a combination of changes to the way the market making system operates, he said, but declined to elaborate further.

Under the recommendations made by CMAC, the Corporate Merger Advisory Committee established by Liffe and LTOM, stock options would move to a screen-based system, while the FT-SE 100 index option would remain a face-to-face market. The reasons for the two boards backing such radical proposals are not hard to fathom. The stock options market is dying a slow, painful death in London.

The contrast with continental Europe, where equity options markets are thriving, could not be starker. Most of those are screen-based. Perhaps copying them would be the shock treatment necessary to bring turnover back to the levels which existed before the stock market crash of 1987.

If a precedent closer to home is required, the London Stock Exchange vanished on to a computer screen five years ago. Screens, rather than traditional face-to-face trading, seem to be the future of many markets.

The Liffe and LTOM boards must have expected some opposition when they published their proposals. After all, a screen system would make it difficult for many of the independent options traders to survive and the larger firms would be able to execute their clients' orders, cutting out the need for the independents.

Mr Nick Faulks of City of London Options, the largest independent options market maker, put it bluntly: "In a screen-based environment, we and all the other independents would be out of business."

But what the senior market management will not have bargained for is the strength of opposition among independent traders on Liffe. They make their money from buying and selling futures contracts on the floor of Liffe and many were surprised they were not going to be given the chance to trade stock options.

They feel that with Liffe's marketing flair, bringing stock options alongside such successful futures contracts as tha FT-SE index and short sterling, could be the environment for options to flourish.

This would depend upon some of the privileges which equity market makers currently enjoy being extended to all options traders.

With the locals on Liffe up in arms the tide has begun to move against a completely screen-based system.

However, not all their views are shared by the larger securities houses, particularly those active in the options market. For them, screen-based trading could bring their options departments back into profitability. There are even suggestions that some of the larger securities houses may withdraw altogether from options trading if floor trading continues.

In any case, the open outcry system is unlikely to be disappear immediately. It could be another year at least before the computer systems are in place which would allow options to become fully automated. When LTOM moves into Cannonbridge, possibly in January, options are likely to remain firmly on the trading floor.

But with traders being asked to subscribe for shares in the new market and a prospectus yet to be written, decisions on the market's longer-term future will have to be made very soon.

Since the initial proposals seven weeks ago, business levels have fallen. "We shouldn't underestimate the damage all of this has done," said one senior options trader. "Institutional customers who haven't taken options seriously now say they have been proved right."

Northumbrian Water wins top credit rating

By Simon London and Sara Webb

NORTHUMBRIAN Water has been assigned a top A-1+ credit rating for its £150m commercial paper programme by Standard & Poor's, the US credit rating agency.

The agency said the rating reflected the new pricing regime under which Northumbrian operates. This allows the company to raise prices by 7 per cent a year in real terms until 1995, among the highest price rises allowed under the regulatory regime.

"As a result, operating margins are expected to improve providing for strong internal funding of investment. Debt levels are expected to remain moderate," the agency said.

S&P has lowered the senior long-term debt rating for 3i, Britain's largest venture capital company, because 3i's ownership is under review.

The long-term debt rating has been lowered from AA to AA minus. The downgrading affects about $1.4bn of debt.

3i is currently owned by the Bank of England and the English and Scottish clearing banks. Both Barclays and NatWest – who together control about 40 per cent of the share capital in 3i – have indicated they wish to remain long-term shareholders. However, some of the shareholders may sell all or part of their holdings.

S&P has changed the rating outlook for 3i from "stable" to "developing" to show the rating could be reviewed again if a large new institutional investor bought shares in 3i as part of the change in ownership.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Thursday June 13 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Jun 12 Index No.	Tue Jun 11 Index No.	Mon Jun 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (186)	833.16	-0.2	10.92	5.82	11.26	15.96	834.65	844.93	834.92	913.44
2	Building Materials (24)	1059.95	-0.5	9.87	5.85	12.65	22.01	1064.98	1075.96	1067.18	1138.28
3	Contracting, Construction (31)	1284.43	-1.1	8.93	6.29	14.73	31.17	1298.45	1305.78	1292.92	1436.61
4	Electricals (10)	2395.14	-0.3	10.97	5.59	11.61	61.85	2402.85	2407.08	2403.63	2647.18
5	Electronics (25)	1737.71	+0.1	8.97	5.18	14.84	7.81	1735.37	1752.95	1746.52	1892.63
6	Engineering-Aerospace (8)	422.06	-0.7	16.54	5.93	7.27	10.60	425.05	432.73	429.90	499.78
7	Engineering-General (47)	450.01	+0.1	12.23	5.85	9.90	8.73	449.40	451.48	448.52	504.52
8	Metals and Metal Forming (8)	465.93	+0.5	19.42	7.42	6.33	2.31	463.48	464.54	459.14	498.27
9	Motors (13)	330.05	+0.2	12.03	7.35	9.80	9.98	329.48	334.01	325.67	372.00
10	Other Industrial Materials (20)	1529.21	....	9.23	5.25	12.75	32.53	1529.13	1563.88	1530.34	1670.69
21	CONSUMER GROUP (188)	1476.42	-0.4	8.05	3.69	15.27	20.13	1481.73	1490.47	1474.45	1337.09
22	Brewers and Distillers (22)	1830.58	-0.2	8.67	3.62	14.04	27.26	1833.86	1849.73	1817.24	1624.79
25	Food Manufacturing (20)	1166.20	-0.2	9.83	4.24	12.53	21.35	1168.36	1177.61	1168.27	1122.22
26	Food Retailing (16)	2739.03	....	7.95	3.06	16.52	30.32	2739.50	2751.31	2757.58	2498.64
27	Health and Household (21)	3460.93	-0.9	5.55	2.48	20.60	29.05	3490.67	3506.94	3469.77	2648.27
29	Hotels and Leisure (23)	1295.10	-0.5	10.12	5.35	11.73	23.57	1301.81	1311.04	1289.63	1519.74
30	Media (26)	1433.16	-0.1	9.11	4.91	13.69	22.92	1435.25	1441.39	1424.94	0.00
31	Packaging, Paper & Printing (17)	698.28	+0.1	7.97	4.72	15.17	11.81	697.63	698.43	690.66	616.53
34	Stores (33)	911.88	-0.3	8.47	4.04	15.43	13.06	915.05	920.98	912.69	862.82
35	Textiles (10)	561.75	+0.3	9.53	5.56	12.95	11.43	559.95	556.89	535.54	512.96
40	OTHER GROUPS (107)	1235.74	-0.1	9.97	5.17	12.31	13.71	1236.99	1244.60	1235.47	1212.04
41	Business Services (12)	1221.36	+0.5	10.79	5.33	11.39	13.23	1214.82	1219.15	1203.40	0.00
42	Chemicals (21)	1377.65	-0.5	8.28	5.23	13.72	31.63	1384.77	1393.65	1387.02	1335.87
43	Conglomerates (10)	1490.81	+0.2	10.21	6.96	11.81	17.49	1488.55	1507.78	1506.01	1722.31
44	Transport (13)	2215.79	-0.1	11.03	4.71	11.19	36.17	2218.18	2230.86	2202.74	2208.81
45	Electricity (14)	1204.28	-0.3	11.51	5.54	10.88	0.00	1207.90	1222.59	1221.97	0.00
46	Telephone Networks(4)	1495.57	+0.4	9.95	4.07	13.14	0.00	1489.27	1490.64	1476.39	1222.38
47	Water(10)	2349.86	-1.1	16.92	6.40	6.55	39.69	2376.71	2394.45	2377.33	1983.04
48	Miscellaneous (23)	1909.86	-0.5	6.05	4.98	21.22	41.50	1920.03	1931.31	1909.00	1825.37
49	INDUSTRIAL GROUP (481)	1244.12	-0.2	9.23	4.59	13.31	17.29	1247.12	1256.16	1243.76	1205.53
51	Oil & Gas (19)	2368.51	-0.4	11.46	5.78	11.49	50.59	2378.93	2413.86	2385.38	2321.03
59	500 SHARE INDEX (500)	1340.21	-0.3	9.52	4.74	13.05	19.93	1343.78	1354.78	1341.08	1299.62
61	FINANCIAL GROUP (97)	795.46	+0.3	-	5.99	-	19.69	793.26	797.22	785.95	814.94
62	Banks (9)	892.27	+0.5	7.73	6.21	18.76	22.63	888.09	895.16	881.04	862.16
65	Insurance (Life) (7)	1501.10	+0.9	-	5.51	-	41.64	1487.97	1490.53	1469.89	1439.25
66	Insurance (Composite) (6)	661.06	+0.5	-	6.63	-	20.23	657.96	659.92	644.37	713.58
67	Insurance (Brokers) (8)	1130.38	+0.9	7.02	5.94	18.54	26.21	1119.96	1122.19	1096.36	1059.29
68	Merchant Banks (7)	427.20	-0.2	-	4.93	-	8.32	428.07	423.41	422.71	456.33
69	Property (40)	931.16	-0.9	6.72	5.18	20.57	16.45	939.17	947.91	943.39	1100.66
70	Other Financial (20)	280.32	-0.3	9.40	6.68	13.21	5.24	281.24	280.57	280.76	301.75
71	Investment Trusts (70)	1219.59	+0.4	-	3.45	-	17.72	1214.60	1219.19	1211.33	1227.79
99	ALL-SHARE INDEX (667)	1208.74	-0.2	-	4.87	-	19.57	1210.86	1220.12	1207.25	1182.61

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 12	Jun 11	Jun 10	Jun 7	Jun 6	Year ago
FT-SE 100 SHARE INDEX♦	2514.6	-5.6	2522.9	2510.4	2520.2	2542.6	2511.9	2506.3	2525.3	2403.0

FIXED INTEREST

	PRICE INDICES	Thu Jun 13	Day's change %	Wed Jun 12	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	121.61	+0.05	121.54	2.53	4.63
2	5-15 years (28)	129.71	+0.23	129.41	2.27	6.11
3	Over 15 years (9)	135.57	+0.30	135.17	1.76	6.05
4	Irredeemables (6)	149.00	+0.05	148.92	1.50	6.35
5	All stocks (72)	129.35	+0.18	129.12	2.35	5.66
	Index-Linked					
6	Up to 5 years (1)	158.89	+0.06	158.80	0.27	2.72
7	Over 5 years (10)	145.92	....	145.92	0.84	1.89
8	All stocks (11)	146.85	+0.01	146.84	0.83	1.91
9	Debs & Loans (56)	108.99	+0.12	108.85	1.97	4.85

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 13	Wed Jun 12	Year ago (approx.)
	British Government				
1	Low	5 years	8.99	8.97	11.03
2	Coupons	15 years	10.09	10.11	10.64
3	(0%-7¾%)	20 years	10.09	10.11	10.61
4	Medium	5 years	10.43	10.46	11.93
5	Coupons	15 years	10.33	10.37	11.09
6	(8%-10¾%)	20 years	10.25	10.28	10.88
7	High	5 years	10.61	10.63	12.04
8	Coupons	15 years	10.48	10.53	11.34
9	(11%-)	20 years	10.36	10.40	11.12
10	Irredeemables†		10.27	10.27	10.61
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.32	4.33	5.01
12	Inflation rate 5%	Over 5 yrs.	4.30	4.30	4.10
13	Inflation rate 10%	Up to 5 yrs.	3.48	3.48	4.02
14	Inflation rate 10%	Over 5 yrs.	4.12	4.12	3.93
15	Debs &	5 years	11.91	11.91	13.77
16	Loans	15 years	11.69	11.70	12.94
17		25 years	11.50	11.52	12.93

♦Opening index 2515.2; 9 am 2519.7; 10 am 2522.7; 11 am 2519.7; Noon 2515.6; 1 pm 2515.9; 2 pm 2510.6; 2.30 pm 2511.1; 3 pm 2512.9; 4.10 pm 2514.6; (a) 9.44am (b) 2.03pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	55	3	25
Corporations, Dominion and Foreign Bonds	5	0	15
Industrials	218	322	991
Financial and Properties	128	107	503
Oils	6	26	61
Plantations	2	0	8
Mines	32	36	93
Others	58	54	64
Totals	504	548	1,760

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◊ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 10
- Last Dealings June 21
- Last Declarations Sept. 12
- For settlement Sept. 23

For rate indications see end of London Share Service

Calls in Burton, Cookson, Davy, European Leisure, Greenwich Res., Oliver Res., Owners Abroad, Tusker Res. and Ramar Texts. Put and call in Trafalgar House.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

High rhodium prices help lift Johnson Matthey 39%

By David Owen

BENEFITS of rationalisation combined with a windfall from rocketing rhodium prices to produce a better-than-expected annual result at Johnson Matthey, the precious metals group.

Pre-tax profits for the year to March 31 1991 climbed 39 per cent to a record £66.8m (£48.2m). The shares rose by 10p to 304p.

The figures benefited from both a net £500,000 exceptional gain (against a hefty £14m charge previously), and a £3.2m interest credit (£700,000 paid).

Average rhodium prices weighed in at £2,346 per ounce in 1990-91, compared with £895, making it about eleven times more valuable than gold on a pound for pound basis. This helped JM in two ways.

First, bread-and-butter rhodium trading yielded benefits of "several million pounds," according to Mr Richard Wakeling, chief executive, compensating for the effect of lower gold and platinum prices.

Second, a £5.3m exceptional gain from the disposal of surplus rhodium stocks was recorded.

The company said that it was possible there would be a further surplus in the current year.

The gain was mainly offset by a £4.8m exceptional charge relating to further redundancies and rationalisation costs.

Mr David Davies, chairman, said that JM still had more than £100m worth of assets that were not "earning their keep." He said that redundancies in the current year would be "considerably less" than in 1990-91, when they totalled 750.

Group turnover advanced by just over 14 per cent to £1.73bn (£1.51bn). Fully diluted earnings per share climbed by 42 per cent to 24.3p (17.1p).

The final dividend is 6.25p for a total of 9.25p (8.5p).

● COMMENT

These results will do much to bolster the Johnson Matthey management's credibility. The slim £200,000 improvement in operating profits was not expected by many analysts (in spite of what one termed "this bonanza in rhodium") and indicates that benefits from the rationalisation programme are already showing through.

If a similarly speedy turnround can be achieved in those units which remain below target, JM should continne to progress in the current year, notwithstanding its exposure to the depressed automotive and UK housing markets. A more favourable exchange rate profile should also help.

Mnch of this is already reflected in the shares, which are on a p/a of around 12, assuming 1991-92 profits of aome £70m. But for those whose borizons extend beyond the end of 1992 – by which time all cars manufactured in the European Community must be fitted with catalytic couverters – JM might still prove a decent investment.

Watson & Philip up 10% and optimistic

By Maggie Urry

WATSON & PHILIP, the Scottish food wholesale and retail group, which in April issued shares to pay for e £35.5m acquisition that doubled its size, yesterday reported e 10 per cent rise in pre-tax profits from £3.8m to £4.2m in the half year to April 26.

Turnover increased 7 per cent from £205.27m to £220.6m.

The purchase of Amalgamated Foods, which extends W&P's coverage into England, went through on May 29, and the figures have been merger accounted.

The comparable figures have been restated from sales of £122.4m and pre-tax profits of £1.52m.

Mr Ian Macpherson, chairman and chief executive, said the economic climate had worsened and the business was not recession proof. Bad debts had increased.

Merging the two businesses was the priority for the next six months, and this would involve costs. However, the share issua in April hed raised £11.2m more than the £35.5m paid for Amalgamated Foods, leaving funds for development and he was cautiously optimistic for the second half.

Earnings per share in the first half were 9.3p (8.3p restated) but were 50 per cent up on the 6.2p reported a year ago.

The intarim dividend increased to 4p (3.1p), as predicted at the time of the acquisition.

The shares slipped 5p to 338p yesterday, which compares with the issue price in April of 262p.

Staveley calls for £27m to fund purchase

By Clare Pearson

STAVELEY Industries, the British Salt, measurement and mechanical and electrical services group, yesterday launched a £27.4m 1-for-5 rights issue and said it proposed to buy out the minority interest in Weigh-Tronix, its US measurement business.

The announcements came as Staveley unveiled pre-tax profits boosted by the inclusion of Chronos Richardson, the international measurement business, the acquisition of which needed a 1-for-4 rights issue 15 months ago.

Pre-tax profits came out at £28m (£24.5m) in the year to the end of March, on sales of £329.5m (£264m).

Pitched at 150p per share, tha rights issue is not conditional on the purchase of the outstanding 43 per cent in Weigh-Tronix, valued at about $23m (£14m) under the terms.

A final dividend of 5.9p (5.5p) is proposed making 8.2p (7.8p) for the year. Earnings per ahare were 21.2p (21.6p).

Mr Brian Kent, chairman, said buying the minority stake was in Weigh-Tronix was a logical step after the Richardson purchase, bought mainly for its European operations. Weigh-Tronix made uet income of $2.4m in the year to March 30. That was a fall of 15 per cent, but was achieved amid some upheaval in the company after the founder retired.

On current trading, Mr Kent warned that Staveley's order books in some areas had contracted and he could "not be certain" the lost ground could be made up in the second half.

● COMMENT

This might be Staveley's second rights issue in 15 months, but it is scarcely controversial. The group essentially had little choice but to buy out the minority in Weigh-Tronix after it had acquired a business with very similar activities in Richardson. Also, buying it for cash would push gearing to 80 per cent, while doing it this way gives Staveley further scope to add to its internatioual operations. As these results demonstrate, Staveley is better-placed than many other UK companies to weather continuing difficult trading conditions this year. Pre-tax profits are bound to be down but probably only to about £26m. That gives earnings adjusted for the rights issue of a little less than 18p; the shares yastarday closed 11p down at 180p. They are fairly-valued for the longer-term prospects.

Brian Kent: buying rest of Weigh-Tronix a logical step

Amber Day £24.4m rights to clear debt

By Jane Fuller

AMBER DAY, the fashion retail group, has launched a £24.4m rights issue to wipe out debt and expand its What Everyone Wants chain.

The issue of 31m shares at 83p each, on a 1-for-3 basis, will give the group net worth for the first time since May 1990's acquisition of WEW. That £46.7m deal included a 5-for-8 rights issue at 45p.

Amber Day's share price, which had risen to 102½p by the beginning of this month, shed 3½p to close at 98p yesterday.

Mr Philip Green, chairman and chief executive, said the WEW chain was now the core of the business. It would account for the lion's share of the forecast pre-tax profit of £9.75m for the year to August 3.

This would be well over three times last year's total of £3.02m, which included only a couple of months from WEW. The Woodhouse and Review menswear ahops in the south of England had suffered in the recession and would make only a small contribution, Mr Green said.

Earnings per share would be at least 6.82p and the total dividend would rise 30 per cent to 2.6p.

The £24.4m rights issue proceeds would virtually wipe out debt, which stood at £28m last July. It had not come down since then because of the purchase of freehold sites, the opening of eight WEW stores, bringing tha total to 45, and refurbishment.

Interest costs would total about £3m for the year.

The group planned to take advantage of opportunities to acquire sites and would open another 15 to 20 stores in the coming year. It had improved its management and information systems to cope with this.

Mr Green said the group was about to appoint its first finance director. It had just brought two WEW directors onto the main board and recruited a new non-executive.

Late last year, the former owners of WEW, Mr Gerald and Mrs Vera Weisfield, resigned as non-executive directors after a disagreement over strategy. They later sold their 17 per cent stake.

Amber Day also made news this spring when it switched auditors, replacing Stoy Hayward with Coopers & Lybrand Deloitte, one of the Big Six. Mr Green said yesterday the change had had nothing to do with the rights issue.

Health and personal products side underpins advance at LIG

By Maggie Urry

LONDON INTERNATIONAL Group, the consumer products and services group – its products include condoms and gripe water – raised profits before tax and exceptionals by 7.7 per cent in the year to March 31 from £36.5m to £39.3m.

However, on a comparable basis the percentage increase was greater, at just under 15 per cent, because LIG provided £2.3m for supplementary interest on a convertible boud, which has an investor pnt option in March 1992, for the first time.

There was also an exceptional charge of £5.8m (nil) covering supplementary interest on the bond for previous years. After this pre-tax profits were £38.5m (£36.5m).

Group turnover rose 5 per cent to £368.2m and operating profits by 9 per cent to £49.6m.

Operating margins of 13.4 per cent compare with 12.9 per cent in 1989-90 and 10.5 per cent in 1986-87. The interest charge was £8m (£8.9m).

A fall in the tax rate to 27.5 (30.4) per cent meant earnings per share increased more than analysts had expected to 20.17p (compared to 17.64p if the supplementary interest had been charged in the previous year).

Operating profits from health and personal products rose 15 per cent to £37m on sales 5 per cent higher at £247.7m. Operating profits in photo-processing were down 14 per cent to £12.5m.

A final dividend of 6.25p (5.65p) is proposed to give a total of 9.25p (8.35p), up nearly 11 per cent.

● COMMENT

LIG's shares have recovered well from the shock of the rights issue in January – which was at 190p – and the figures met analysts' forecasts. The current year has a number of plus points. The adverse effect of exchange rates last year should be reversed. The group will have a full year of the rights money rather than just two months, and the balance sheet is in better shape. And the Biogel gloves business will start to pay off outside the UK. Recession will still be affecting the overall business, though; the tax charge will be rising again and the full weight of the new shares will bear on earnings. Forecasts are for about £50m after supplementary interest, and earnings per share barely higher. A prospective p/e about 12.6 is not demanding for a consumer products group with strong brands and high market shares.

Lord Sainsbury receives 8% pay increase

Amid mixed fortunes in the retail sector, the annual reports of J Sainsbury and Storehouse raveal some changes to directors' remuneration, writes Michiyo Nakamoto.

At Sainsbury, the highest paid director received £217,000, against £220,000 last year, despite the group's 15 per cent increase in pre-tax profits to £518.2m. The group said it would not identify the director.

On the other hand, Lord Sainsbury, chairman and chief executive, received a modest 8 per cent increasa, from £175,000 to £189,000, in the year to March 16, 1991.

Meanwhile, Mr David Dworkin, the American chairman and chief executive of Storehouse's BhS division, became the group's highest paid director, receiving £369,577, excluding pension payments.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barbour Index	fin	4.4	Oct 7	4	6.6	6
Bradstock Gp	int	1.35	Sept 26	1.25*	-	4.5*
BTP	fin	5.45	Aug 16	5.1	8.41†	7.85
Cable & Wireless	fin	6.1	Oct 1	5.9	11.8	10
Chiltern Radio	int	1†	July 26	1	-	4.8
Chrysalis	int	nil	-	2	-	4
Cropper (J)	fin	1.925	Aug 13	1.825	2.9	2.7
Eldridge Pope	int	0.875	Aug 3	1.75	-	4.1
Iswick	fin	0.38	Aug 22	0.4	0.6	0.6
Erskine House	fin	4.35	July 31	4.35	6.65	6.65
Finlay (James)	fin	2.15	July 25	2.15	4.15	4.15
FKI	fin	1.3	-	2	3.3	4
Johnson Matthey	fin	6.25	Aug 5	6	9.25	8.5
Locker (Thos)	fin	1.1	July 26	1.1	1.8	1.8
London Intl	fin	6.25	Oct 1	5.65	9.25†	8.35
London & Metro	fin	nil	-	4.25	nil	6.65
Lovell (YJ)	int	2.2	Aug 30	2.2	-	8.95
ML Holdings	fin	2.6	-	2.6	3.45	3.45
RCO Holdings	int	4.2	Sept 27	3.5	-	10.5
Salvesen (C)	fin	3.85	Aug 9	3.5	6.6	6
Smith New Court	fin	3	-	3	3.5	3
Staveley Inds	fin	5.9	Aug 6	5.5	8.2	7.8
Watson & Philip	int	4†	Aug 2	3.1	-	11.6
Welsh Water	fin	13	Oct 1	-	19.5	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 14.06.91: Pool purchase price £/MWh	Final Prices for Trading on 12.06.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.92	18.51	18.51
0100	17.92	18.47	18.47
0130	17.92	18.51	18.51
0200	17.92	18.07	19.96
0230	17.92	18.57	19.96
0300	16.19	16.61	18.51
0330	16.19	18.51	18.51
0400	16.19	18.51	18.51
0430	16.19	18.51	18.51
0500	16.19	18.51	18.51
0530	16.10	18.49	18.49
0600	16.19	18.47	18.47
0630	16.80	18.51	18.51
0700	18.07	17.08	17.08
0730	20.01	18.28	20.70
0800	21.43	21.58	23.18
0830	22.12	21.62	23.45
0900	23.68	22.14	23.84
0930	24.74	22.11	23.82
1000	25.52	22.15	23.96
1030	25.64	22.16	23.88
1100	26.21	22.23	23.97
1130	27.07	22.49	24.29
1200	59.43	22.61	24.44
1230	51.37	22.33	24.08
1300	24.25	21.82	23.45
1330	21.92	21.36	22.88
1400	21.31	21.23	22.72
1430	21.09	21.20	22.68
1500	21.05	20.85	22.10
1530	20.77	20.00	21.44
1600	21.04	20.00	21.44
1630	21.08	20.99	22.45
1700	46.69	20.98	22.45
1730	46.87	20.98	22.45
1800	21.02	20.98	22.45
1830	20.11	19.20	20.82
1900	19.21	20.98	22.44
1930	19.21	20.98	22.46
2000	18.70	18.91	20.38
2030	18.41	16.51	18.51
2100	18.41	18.91	20.34
2130	18.41	20.98	22.46
2200	50.91	20.98	22.46
2230	50.73	18.86	20.28
2300	18.41	18.35	19.76
2330	18.41	18.24	19.66
2400	18.03	18.22	19.64

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.660p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

London & Metropolitan falls £100m into loss

By Vanessa Houlder, Property Correspondent

LONDON & METROPOLITAN, the property developer that was rescued by its banks in February, yesterday announced a £100.3m pre-tax loss for 1990, compared with a £10.39m profit for 1989.

The announcement of the loss, £88.8m of which was taken at the interim stage, left the shares unchanged at 4¾p. The bulk was due to write-downs in the group's property portfolio, which nearly halved in value last year, and the collapse of the consortium that planned to buy County Hall, the former headquarters of the Greater London Council.

The collapse of the County Hall sale in October, coming on top of the strain inflicted by falling property values, pushed L&M into talks with its bankers. In the refinancing package agreed in February, £34.3m of unsecured debt was converted into five year debt, the secured debt was extended until June 30 1992, tha banks provided £18m of working capital and took warrants which could be converted into a maximum of 49.9 per cent of the company.

The company has sold 13 UK properties with a value of £18.5m since the start of the year. So far the company has met the cashflow targets set by the refinancing arrangements, it said.

At the operating level, there was a loss of £9.28m (£8.16m profit), on turnover significantly down at £12.89m (£52.59m).

The £88.8m provision broke down into £54.8m against its development properties, £7.4m against its investment properties, £12.7m against investments in associated undertakings, £2.22m against investments, £750,000 for reorganisation costs and £3.43m for refinancing costs.

In addition, it had to take a £5m provision for costs arising from the collapse of the County Hall Development Corporation and a £2.5m provision for deposit paid on the building.

The company has restated its 1989 figures by £3.5m net of tax, since a contract signed in 1989 for a £5.2m sale of part of Pont Royal, a development subsidiary in the South of France, was rescinded in 1990, after conditions of the deal were not met.

The loss per share was 171.9p (earnings 15p). There is no dividend (6.65p).

Lovell tumbles to £1.52m as recession hits property market

By Andrew Taylor, Construction Correspondent

YJ LOVELL, the housebuilder and developer under threat of a possible takeover bid from Taylor Woodrow, yesterday announced a 71 per cent fall in pre-tax profits for the six months ended March 31.

Taylor Woodrow, a much larger construction and property development group, revealed last Friday thet it had acquired a 4.9 per cent stake in Lovell for "investment purposes."

Mr Antony Hichens, chairman of Lovell, yesterday said he had spoken on the telephone to Mr Peter Drew, head of Taylor, following the share raid.

"The conversation was polite and courteous but he [Drew] did not give anything away about his intentions other than that he was pleased at the price he had paid and the yield on the shares," said Mr Hichens, adding that a bid would be vigorously defended.

Lovell's pre-tax profit fell from £5.29m to £1.52m in the half year, as its private housing and commercial property activities were hit hard by the recession. Earnings fell to 2.5p

Antony Hichens: bid would be vigorously defended

(6.7p) but the interim dividend is again 2.2p.

Figures exclude any provisions for further losses on the group's urban renewal, London housing and commercial property, which in April Mr Hicheus had warned would he between £22.5m and £25.9m this year.

Full extent of the provisions will not be known until the year end, Mr Hichens said.

After the provisions, and taking into account the recent £30m rights issue, the group would have a book net asset value of 125p-130p a share.

This compared with the share price of 159p yesterday.

● **COMMENT**

The long term attraction to Taylor is Lovell's 3,500 plot land bank, three-quarters of which was bought relatively cheaply before 1987. The group acquired its stake at an average price of less than 133p a share. If Lovell's price falls it has the potential to buy assets on the cheap; if it rises the group will make a nice profit on its shareholding. This looks an ideal position provided Taylor does not lose its head and is forced to bid up the price in a hostile bid for a company which, including its off-balance sheet financing, will have gearing of near 100 per cent after the rights issue. Taylor therefore can afford to take its time with no other rival bidder on the horizon. Without the prospect of a bid Lovell's share price would look very vulnerable.

Smith New Court near halved to £7.5m

By Richard Waters

PRE-TAX profits at Smith New Court, the securities company, were nearly halved, from £14.53m to £7.57m, in the year to April 26, following a dip in stock market activity arising from the crisis in the Gulf.

Smith, the largest independent left in the securities business, described the result as satisfactory in the light of the aggregate £353m losses incurred by members of the London Stock Exchange last year.

Mr Michael Marks, chief executive, said that two-thirds of Smith's income for the year had been earned in the first and last qnarters. Gross income as a whole was equal to the previons year, but costs had risen as e result of new recruitment in the UK agency broking and corporate finance businesses.

Around half of Smith's income came from its traditional market making business. The results do not inclnde the substantial profit the company is believed to have made helping Hanson to build its 2.82 per cent interest in ICI last month.

Earnings for the year came to 4.1p (23.5p). The final dividend is 3p to take the total to 3.5p (3p).

Receiver at Ibex as deal with CSG fails

The rescue of Ibex, the USM-qnoted recruitment and employment agency, has fallen through and the company has gone into receivership, writes Jane Fuller.

Less than a month ago, Ibex was supposed to have been saved by Corporate Services Group, which planned to take it over in a £1.2m all-share deal.

Ibex's borrowings were then said to be £6.6m, compared with shareholders' funds of £37,000. It had lost £3.15m pre-tax in 1990, on turnover of £38m.

CSG said yesterday that the Ibex board had since declared that current and prospective trading was lower than anticipated and working capital facilities were inadequate.

Brent Walker deal paves way for funds

By Maggie Urry

A DEAL between Brent Walker, its banks and the holders of its £101.9m convertible capital bond, was finally concluded early yesterday morning, people present at the late-night meeting said yesterday.

The shares closed up 1p at 26p.

The deal is expected to open the way for banks, which are owed £1.3bn by the leisure group, to advance £20m needed for working capital.

Most of the banks have agreed to put up their share of the money, although a handful, mainly in the Far East, have yet to send letters of consent. None of the banks has refused.

Bankers said the deal with the bondholders also made it more likely that the banks would agree to restructuring proposals put to them a week ago.

These proposals are intended to put the group onto a firmer financial footing, so allowing it to trade its way out of its difficulties.

The plan envisages Brent Walker keeping its pubs and bookmaking activities, while disposing of other assets such as leisure complexes in the UK and on the Continent.

The banks have until June 22 to approve the proposals, which would convert £250m of the debt to ordinary and preference shares, and set an 11.5 per cent interest rate on a further £720m, with the prospect of some of the interest being rolled up or converted to more shares.

However, next week the banks owed £350m through William Hill, Brent Walker's betting shop chain which had been financed on an off-balance sheet basis, are to meet the group's lead bankers. These banks have different interests to those which have lent directly to Brent Walker, and must also agree the terms. Under the proposals they would receive capital repayments as asset disposals took place.

Mr Christopher Sporborg, deputy chairman of Hambros Bank and head of Hambro Group Investments, which holds some of the bonds, who has been acting as a conduit between the company and the bondholders, said that an understanding had been reached and all parties involved were happy.

Mr George Walker, ousted two weeks ago as group chief executive, and his family bought £29.5m of the bonds when they were issued last November as part of Brent Walker's emergency refinancing.

Other bondholders are Jefferson Smurfit, the Irish paper packaging group, and its chairman Mr Michael Smurfit and Lonrho, the international trading group.

Salvesen rises 7% and slims distribution

By Andrew Bolger

CHRISTIAN SALVESEN, the distribution, manufacturing and specialist hire company, yesterday announced a 7.2 per cent increase in pre-tax profits but made a substantial provision for slimming its distribution operations.

Turnover rose by 11 per cent to £422.7m in the year to March 31 and pre-tax profits advanced to £66.6m (£62.1m). Earnings per share were 10.7 per cent higher at 16.6p and a final dividend of 3.85p makes a total for the year of 6.6p, an increase of 10 per cent.

An extraordinary charge of £13.3m includes a £12.9m write-down on its distribution contract with Langnese Iglo, the German frozen food manufacturing subsidiary of Unilever, plus the costs of getting out of "hire and reward" trucking: more than 90 per cent of the group's distribution business is now on a contract basis.

In distribution, sales advanced from £222.8m to £248.4m, but trading profit was flat at £27.5m. In the UK, Salvesen said performance had been affected by the sluggishness of high street trade, but the benefits of last year's reorganisation and new business gains were expected to come through in the current year.

The group was rationalising its distribution operations to focus on France, Belgium, the Netherlands and Spain, but the German market for contract distribntion had developed much more slowly than expected and a thorough review of the business there was being undertaken.

Specialist hire continued to show the best results, with trading profits up 38 per cent to £21.8m on sales of £82.4m, an increase of 24 per cent.

The gronp's third division, manufacturing, saw trading profits down 9.9 per cent at £18.2m on increased sales of £91.9m (£87.6m).

Salvesen Brick saw trading profits slump 42 per cent to £5.6m, but the group said sales volumes dropped by only 2.8 per cent and over the past two years national market share had risen from 3.6 per cent to 5.5 per cent.

This was partly offset by food services, where trading profits in processing frozen vegetables grew by 12.5 per cent to £11.2m. Vikoma, which prodnces pollntion control equipment, more than doubled trading profits to £1.4m.

See Lex

Welsh Water advances 32% to £128m

By Clare Pearson

WELSH WATER yesterday highlighted a decision to invest £25m into environmental projects, on top of planned spending nnder its capital programme, which it had made in the light of a strong financial performance in the year to end-March.

Mr John Elfed Jones, chairman, said that with pre-tax profits up 32 per cent to £128.1m, Welsh had undertaken further work in areas that inclnded water treatment and lead piping replacement. The extra investment compares with £160m spent under the programme over the year.

Earnings per share were up at 82.2p (61.7p). A final dividend of 13p is being recommended making 19.5p for the year, a 16.4 per cent increase over the notional previous year's payment.

Higher UK interest rates helped the pre-tax line, with net interest receivable standing at £33.2m (£33.4m). Including at cost the 9.9 per cent stake taken in South Wales Electricity last December, net cash stood at £184.5m at the year-end.

Additionally, net operating costs were held at £197.8m (£191.7m). The company said that after disconnting one-off privatisation costs in the previous year, the increase was below inflation at 9.1 per cent.

Group turnover was £293m (£255.3m). The core water and sewerage business provided all but £300,000 of operational profits.

Other activities span leisure, engineering consultancy and waste disposal.

The previous year's results are calculated as if the company, floated in late 1989, had been privatised for a full-year. Actual pre-tax profits for the 12 months to end-March 1990 were £39.5m.

● **COMMENT**

No wonder Welsh Water is so keen to emphasise its extra environmental projects: having put up bills by the maximum allowable for two years running, it certainly has not decided to help customers out by way of its charging policy. It has also come in for criticism for buying that stake in South Wales Electricity: so far, that has furnished it with a nice paper profit, but the other utility appears not at all interested in the cooperative ventures the investment was meant to foster. Meanwhile, Mr Ian Byatt, water industry regulator, is bound to notice that Welsh's financial position is more hnoyant than that assumed at privatisation. Still, though they are not for the totally risk-adverse, the shares look pretty good value on a prospective yield of more than 7.5 per cent. Pre-tax profits this year should be about £150m.

UK COMPANY NEWS

Restructured FKI reduced to £40m

By Jane Fuller

FKI, the electrical engineering group which demerged from Babcock International nearly two years ago, saw pre-tax profit fall by 27 per cent, from £54.72m to £40.15m, in the year to March 31.

The final dividend was cut to 1.3p (2p). The 3.3p (4p) total was covered twice by earnings per share of 6.71p (9.38p).

Mr Jeff Whalley, who recently moved up from deputy chairman to chairman, said the group was changing its style after the "rip roaring 80s", when his predecessor and long-time colleague, Mr Tony Gartland was in charge. "Tony was a deal-maker, I was on the operating side."

With a change of style and a strengthened board, the management had embarked on a review of the 50-subsidiary group, which turned over £776.36m (£826.28m) last year.

Mr Norman Scoular, chief executive, said that of the £14.6m fall in pre-tax profit, an increased interest bill accounted for £5.5m, adverse currency movements £4.5m, and the rest followed recession in the UK and US.

Operating profit rose to £22.2m (£16.5m) in the automation division, on sales of £300.2m (£303.4m).

In transportation, profit fell to £13m (£17m) on sales of £221.9m (£251.9m). But the biggest profit fall came in the engineering division, which declined from £32.2m to £21.8m on turnover of £254.3m (£271m).

Colin Beere

Jeff Whalley (left) and Norman Scoular: a change of style

Altogether the group shed 1,700 workers in 11 closures. An extraordinary provision of £16.89m (£7.32m) was made for further rationalisation.

Year-end borrowings rose from £69m to £83m, gearing of 33 per cent.

● COMMENT

FKI has been struggling to find its way since the demerger from Babcock and the abandonment of the original plan to sell the North American operation. The share price is still less than half its August 1989 level. However, the omens are better. A swift review is promised, the turnround in US automation has been impressive and the business should be an early recoverer. For the future, one of the big questions will be whether to keep the low-margin US motor components business. A forecast pre-tax profit of £34m gives a prospective p/e of 10 on yesterday's close of 56¼p. Even though the interim news will be grim, the shares are beginning to look worth buying for recovery and a 7.8 per cent prospective yield.

ML brought down to £6m by defence cuts

By Richard Gourlay

ML HOLDINGS, the aerospace and componeots distribution group which made parts of the JP233 "airfield-denial" weapon used in the Gulf War, yesterday reported a 41 per cent fall in pre-tax profits from £10.59m to £6.29m in the year to March 31.

Sales fell 19 per cent to £92.4m (£113.44m) following the end of the JP233 contract with the Ministry of Defence, reduced defence sales following the end of the Cold War and the effects of recession.

Earnings per share declined to 8.3p (13.8p) but the company recommended a maintained full-year divideod of 3.45p via a final of 2.6p.

Mr Peter Pollock, the chief executive, said it was difficult to imagine such a set of adverse circumstances happening at one time again.

He said the group had completed the process of converting from a defence contractor and was now focused on aircraft and cargo handling, electronics component distribution and aerospace.

The aerospace division, accounting for half operating profits, was hit by a slowdown in civil work, although the Gulf war helped the much reduced defence activity.

The aircraft handling group made good progress during the year, but was hard hit by the decline in air travel during and since the Gulf war.

Gearing over the period rose from below 50 per cent to 79 per cent on debt of £21m, but the interest charge remained covered 8.6 times. The debt rose as a result of reorganisation and start-up costs and a higher level of working capital. Mr Pollock expected gearing to fall below 50 per cent by this year-end.

Sales under the JP233 contract fell to only £1m last year, compared to £34.4m, over half group sales in 1987.

Chrysalis £2.85m in red

By Andrew Bolger

CHRYSALIS GROUP, the records, communications and media group, partly blamed a lack of consumer confidence during the Gulf war for a pre-tax loss of £2.85m in the six months to February 28, compared with profits of £487,000.

The company said record companies in particular experienced an exceptionally quiet Christmas, principally due to the absence of major album releases. However, fortunes had improved considerably in the third quarter.

Turnover was down slightly at £50.32m (£52.9m) while losses per share increased from 0.11p to 7.12p. The company said in view of these disappointing results, it would pass its interim dividend.

Chrysalis said that while the distribution company Lasgo Exports and the music publishing activities made increased profits, its communications and media side suffered from the lack of demand for programme-making in the run-up to Channel 3 franchise applications. Amusement machines were also hit by the downturn in leisure spending and increased pressure on margins.

LUI winding-ups deferred

By Raymond Hughes, Law Courts Correspondent

PETITIONS for the compulsory winding-up of four companies in the London United Investments insurance group have been adjourned until July 31 to enable negotiations for a scheme of arrangement between them and their creditors to continue.

The High Court was told on Wednesday that the negotiations involved the Policyholders Protection Board and a committee of creditors. Certain matters remained to be resolved before the scheme could be finalised.

Mr Registrar Buckley said the companies could return to court on July 10 if matters had been resolved by then.

Kingscroft Insurance Company, El Paso Insurance Company, Lime Street Insurance Company and Mutual Reinsurance Company face claims totalling £351m and have assets of £258m.

Last month the court ruled that the companies, which are insolvent and have lodged their own winding-up petitions, could go ahead with the scheme, which it is believed will be more beneficial to creditors than a liquidation.

Erskine 22% lower as copier sales drop

By Michiyo Nakamoto

ERSKINE HOUSE, the office equipment distributor, suffered a fall in pre-tax profits for the first time in nearly a decade due to a sharp drop in new copier sales in its principal markets.

Depressed demand for new copiers in the US and UK, particularly in the latter half of the year to March 31, left taxable profits 22 per cent down at £12.09m (£15.59m). This was the first fall in profits for the group since 1982.

The shares, which plummeted after a profits warning last year, rose 3½p to 69½p.

Apart from the weak level of demand a strong pound adversely affected the profit contributions from the US and Germany, while the tightening of credit by leasing companies in the UK added to the difficulties in that market.

Sales declined to £190.41m (£223.27m). Turnover in the US, which is the group's largest market, dropped 14 per cent to £104.68m (£122.37m) while the pre-tax profit contribution fell 53 per cent to £4.93m (£10.48m).

In the UK, a fall in turnover to £76.22m (£94.92m) nevertheless produced a 40 per cent rise in profit to £6.29m (£4.55m) following a significant rationalisation programme in the previous year.

Mr Brian McGillivray, chairman, said that although the UK operations had not attained the target set at the beginning of the year they had done "reasonably well" in the face of recession. The grim business environment in the UK was exacerbated by the tightening of credit by leasing companies.

Germany provided a bright spot, with a 60 per cent increase in turnover at £9.52m (£5.98m) and a 59 per cent rise in profit to £882,000 (£554,000).

In contrast to the decline in income from new copier sales, service revenue was resilient in both the US and UK.

Borrowings, most of which are in dollars, have been brought down to £41.3m against shareholders' funds of £131,000. Interest cover, however, rose from 3.1 to 3.3. The group had cash balances of £11.3m at the year end.

Earnings per share declined to 14.6p (19.7p) and the final dividend is maintained at 4.35p to give an unchanged total for the year of 6.65p.

NEWS DIGEST

Jas Finlay falls 21% to £9.7m

JAMES FINLAY experienced a decline in all of its main activities in 1990, which resulted in a 21 per cent fall in pre-tax profits from £12.29m to £9.7m on sales which were down almost 19 per cent from £183.47m to £149.13m.

The contribution from plantations fell from £5.34m to £3.8m and from trading, manufacturing and merchanting from £2.15m to £1.08m. Merchant banking, treasury and international confirming saw its input drop to £712,000 (£2.92m), though oil and gas interests made a profit of £452,000 (loss £1.77m).

The final dividend is maintained at 2.15p, for an unchanged total of 4.15p on earnings per share of 6.2p (6.5p).

Earnings per share worked through at 12.48p (10.29p) and the interim dividend is raised to 4.2p (3.5p).

All-round growth lifts RCO 19%

Although faced with difficult trading conditions, RCO Holdings, the contract cleaning and related services group, expanded in the first half, lifting pre-tax profits by 19 per cent.

Profits rose from £1.73m to £2.06m and came from a 20 per cent increase in turnover to £20.96m (£17.48m).

The directors said many clients were endeavouring to cut their costs but, so far, all sectors of the business continued to expand at a satisfactory rate.

Eldridge Pope slips into £264,000 loss

Eldridge Pope & Co, USM-quoted brewer, declined into losses in the first half ending March 31. The deficit of £264,000 compared with pre-tax profit of £51,000 in the previous first half.

The directors of the Dorchester-based company have halved the interim dividend to 0.875p (1.75p) hot expressed confidence for a better second half.

The half-year bore the £276,000 costs of the company's half-share of the loss of the Highcliff Hotel. A further sum of £235,000 due to Vaux under the sale agreement will be paid in the second half.

Bradstock suffers from weak dollar

Mainly because of the weakness of the dollar, Bradstock Group has seen its pre-tax profit fall from £4.02m to £3.73m in the half year ended March 31 1991.

Earnings for the half year were again 4.3p after lower tax and minorities. The interim dividend is lifted to 1.35p (1.25p adjusted).

Chiltern Radio falls £234,000 into loss

Losses of £234,000, compared with taxable profits of £403,000, were announced by Chiltern Radio, the Dunstable-based independent radio operator, for the six months to March 31.

As in the industry generally, national advertising revenue was the harder hit, falling by 46 per cent, while local revenue was held to a 3 per cent decline.

Turnover fell from £1.89m to £1.78m. The loss per share was 2.5p (4.5p earnings) but the interim dividend is maintained at 1p.

Papermaking helps Cropper rise 44%

James Cropper, Cumbria-based packaging company, reported taxable profits for the year to the end of March up by 44 per cent. The company said that there had been good performances by the papermaking and converting divisions.

Pre-tax profits were £1.48m (£1.02m) on turnover slightly higher at £39.37m (£39.15m). Earnings per share were 15p (12p) and an increased final dividend of 1.925p is proposed for a total of 2.9p (2.7p).

Although trading conditions were difficult, a reasonable start had been made to the present year, the company said.

Barbour Index edges ahead to £3.42m

Pre-tax profits of Barbour Index, the provider of business and computer services, edged ahead from £3.37m to £3.42m in the year to April 30.

Mr Patrick Barbour, chairman, said that although it was too early to predict when the high growth rates of recent years would resume, the high subscriber renewal rates had provided stability even during this serious recession.

Turnover rose by 12.5 per cent to £10.89m (£9.68m). Earnings per share came out at 13.8p (13.3p) and a final dividend of 4.4p (4p) is recommended for a 6.6p (6p) total.

Locker slides and outlook depressed

Thomas Locker (Holdings), the engineering group, saw its pre-tax profit fall from £3m to £1.64m in the year ended March 31 1991 as business conditions became progressively difficult in the second half.

They remained depressed, the directors said, and the outlook for the opening half of the current year was for a profit significantly lower than the £588,000 achieved in the second half of 1990-91.

In the year turnover fell from £43.27m to £40.49m and the operating profit from £2.71m to £1.6m. Earnings per share were down to 2.75p (4.6p) but the dividend is held at 1.6p with a final of 1.1p.

Reorganisation costs hold back Elswick

Elswick reports a pre-tax profit down from £2.42m to £2.22m for the year ended January 31 1991, after exceptional charges this time of £516,000.

The charges covered redundancy and reorganisation costs in the equipment and services division, which suffered a 19 per cent downturn in operating profit following another unusually dry year for grass machinery suppliers.

Group sales totalled £58.19m (£47.42m) and operating profit £3.91m (£3.22m). Earnings fell to 1.01p (1.67p) after a tax charge this time, and a final dividend of 0.38p holds the total at 0.6p.

Greencore's I£14.4m meets forecasts

Greencore, formerly the state run Irish Sugar company, has announced pre-tax profits up 23 per cent, from I£11.65m to I£14.36m, or £13.05m sterling, in the six months to March 31.

Sales increased to I£171.3m (I£138.7m) with earnings per share of 17.32p (14.29p).

The results were broadly in line with forecasts made at the time of Greencore's flotation in late April, when the Irish government raised more than I£60m from the sale of a majority stake. It retains a 45 per cent holding, including a golden share preventing any corporate investor from holding more than 15 per cent.

Mayflower shares suspended at 26p

Shares in Mayflower Corporation, which has interests in manufacturing, marketing, life assurance and pensions, were suspended at 26p yesterday pending shareholders' approval of reorganisation proposals.

The company, which disposed of its Tri-ang toy interests in September and returned to profits of £449,000 pre-tax (losses £1.1m) in the year to December 31, is negotiating a major acquisition, full details of which will be announced when agreement is reached.

COMMODITIES AND AGRICULTURE

Tin producers' association confirms stocks downturn

By Lim Siong Hoon in Kuala Lumpur

THE ASSOCIATION of Tin Producing Countries met this week to confirm that all its seven members were still sticking to their export quotas and that world stocks had indeed fallen.

The drop in the stock levels, by as much as 4,000 tonnes during the first four months, helped to lift the gloom that was hanging over the ATPC at its March meeting.

The latest set of figures gave the first clear indication that the association's quota scheme had actually begun to reverse last year's trend, when stocks rose from 43,200 in February to 45,700 in December.

The drop also revived hopes that the ATPC members would continue to support the supply rationalisation scheme, and was indicative that Brazil and China, although not ATPC members, were producing within their allotments.

When the ATPC last met in March it was under a cloud, with Kuala Lumpur Tin Market prices at under M$15 a kilogram; near a four-year low.

And the industry's mood had not improved much when, two weeks ago, the Mr Ibrahim Menudin, president of the Malaysian Chamber of Mines, reiterated his call to abandon the export quota system because the "full commitment of all members and observers [Brazil and China] in the ATPC is not forthcoming".

Mr Redzwan Sumun, ATPC's executive secretary, said at last week's meeting, however, that the members' exports were, at present rates, within the permissible tonnages set individually.

The association's members – Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire – are expected to produce 94,000 tonnes this year instead of the 96,000 tonnes alloted. Brazil's quota is 39,000 tonnes and China 18,000 tonnes.

A decision on whether to continue with the supply rationalisation, and if so, at what level, is expected only at the next ATPC ministerial meeting in October in Australia.

With recent tin prices firming at above M$15 a kilogram, there was optimism among members that the quota programme would survive intact: the group's executive committee was this week laying out the administrative budget for next year.

The group is expecting a world-wide tin production and sale target of 167,000 tonnes, against 180,000 tonnes in consumption, so that by the end of the year overall stocks would be drawn down by 13,000 tonnes to 32,700 tonnes.

Australian mineral earnings fall

By Emilia Tagaza in Canberra

LOWER METALS and petroleum export prices pushed Australian exports of minerals down by 7 per cent in the first quarter of this year to A$6.9bn (£3.1m).

The Australian Bureau of Agricultural and Resource Economics yesterday said the fall was not unexpected, after the record export value of A$7.3bn in the final quarter of 1990.

Suffering the greatest fall was uranium, which earned only A$30m during the quarter, compared with A$156m during the previous period.

Gold earnings dropped 19 per cent to A$968m, while crude oil receipts were down 26 per cent to A$467m.

The bureau also reported substantial falls in the production of lead bullion, by 38 per cent, and refined lead, by 29 per cent. Tin mine production was down by 25 per cent, refined copper output and diamond production both by 23 per cent, pig iron production by 21 per cent, and gold mine production by 19 per cent.

UK farmers' leader urges quicker reform

MR DAVID Naish, president of Britain's National Farmers' Union, is calling for European Community farm policy reform to be accelerated, reports Reuters. The message will be given today to Mr Ray MacSharry, the community's Agriculture Commissioner at a meeting of Copa, the European farmers' lobby.

"It's imperative we agree on the broad lines of CAP [Common Agricultural Policy] reform before the resumed Gatt [General Agreement on Tariffs and Trade] talks reach crunch point," Mr Naish told an NFU council meeting yesterday. He was concerned that EC reform might be drifting.

The five-year Uruguay round of Gatt world trade talks collapsed last December because of disagreement over how far and how fast to cut trade-distorting farm subsidies.

The US is strongly pressing the EC to soften its position.

British farmers were the driving force behind a Copa proposal last month to base CAP reform on voluntary supply controls.

Ivory Coast 'well sold' in forward cocoa market

THE IVORY Coast has sold all its main crop cocoa for the 1990-91 season and is well sold on the forward market for 1991-92, according to a senior government official, reports Reuters from Abidjan.

The official, who declined to be named, said the World Bank required the country to pre-sell at least 60 per cent of next season's crop by October 1 this year to meet the terms of an internationally-backed economic recovery programme.

"I'm sure there will be no problem with that," he said

The Ivory Coast is expected to produce between 720,000 and 740,000 tonnes of cocoa this year.

The World Bank said recently that it expected cocoa prices to stay low for several more years until current world over-production was reined in. This makes the forward market an attractive option for cocoa sellers.

The official said the strategy aimed to minimise possible losses and reduce financial costs at home.

He said that forward sales would also help to ease a liquidity crisis in the domestic marketing chain by reassuring banks that cocoa had definitely been sold.

Banks have been reluctant to advance funds to finance the cocoa and coffee harvest because they have not always recouped their loans.

● Prospects for the negotiation of a new International Cocoa Agreement and looming financial problems are expected to dominate the International Cocoa Organisation's (ICCO's) meeting in London next week.

Mr David Aninakwah, chairman of the organisation, and Mr Edouard Kouame, its executive director, will report to a special council session on their visits in May to South America, Africa, Europe and the Soviet Union.

"I'm told that Kouame and Aninakwah returned rather optimistic about the future and with a view that a political will exists to continue with a cocoa agreement," said Mr Jan van Shuisveld, the consumer-members' spokesman.

Diseases put Brazil's oranges at risk

By Victoria Griffith in Sao Paulo

DISEASES ARE severely reducing the productivity of Brazil's orange groves, in the country's worst-ever outbreaks of infections like citrus cancer, leprose, clorose variegada (cva), and gomose.

"The incidence of agricultural infections in Brazil's orange groves is much greater than it was in previous years," said Mr Eduardo Feichpenberger, an agricultural researcher at the Biological Institute of the government of Sao Paulo. "If these infections are not controlled," said Mr Ademerval Garcia, president of the Brazilian Association of Citrus Exporters, "they could soon place orange production at risk". There are two main reasons for the quick spread of orange epidemics in Brazil. The most important, according to Mr Feichpenberger, is the genetic similarity of the trees planted in Brazil. "We plant very few species of oranges," said Mr Feichpenberger. "They are therefore all susceptible to the same diseases."

Another problem is a lack of funds to combat the infections. Scientists are still unsure what causes cva, for instance, which arrived in Brazil two years ago from Chile. The federal government has announced that it will give about $800,000 to the Citrus Defence Fund, which researches citrus infections. However, scientists at the Biological Institute feel the new funds will be insufficient to cope with the problem.

According to Mr Feichpenberger, citrus cancer has infected 10 per cent of the orange groves in Sao Paulo state, which accounts for 70 per cent of the country's production. The disease, which eventually kills the plant it infects, is being combated through the widespread eradication of orange trees.

The prospect of reduced orange production in Brazil is especially worrying as New York quotes for frozen orange juice concentrate continue low. Florida, the main US production area, boasts yields up to five times higher than in Brazil. Florida producers have also moved many of their plantations to the southern area of the state, in order to reduce the risk of frost, which heavily damaged the crop a few years ago. With the US opening its doors to Mexico, Brazilian exporters believe American demand for Brazilian oranges and orange juice will continue to fall. "The most important new market for us is Japan," said Mr Garcia. Japanese quotas on oranges and orange juice imports are expected to be liberalised next year.

Coffee producers to meet consumers

AFRICAN COFFEE producers will meet Asian and Latin American exporters here on Monday to press for a return to export quotas, reports Reuters from Nairobi.

The 25-member Inter-Africa Coffee Organisation will meet representatives of Brazil, Mexico, Columbia and Indonesia to review the coffee market and make future policy proposals.

"African producers agreed at a meeting last month in Abidjan, Ivory Coast, on the need to bring back quotas, but they would like to compare their strategies with those of other producer blocs," said Mr Elijah Mwangale, the organisation's Kenyan president.

Mr James Wapakhabulo, Ugandan Minister of Co-operatives, who oversees coffee marketing, said earlier this week that the three-day meeting should form a common platform for producers to press for the reintroduction of quotas at the next executive meeting of the International Coffee Organisation in London on July 1.

One IACO official in Nairobi said African producers had achieved consensus on the need to reintroduce export quotas, suspended in July 1989.

But be was sceptical that Asian and Latin American producers would agree to give Africa a larger market share.

"They were invited so that African producers could explain the position. . . IACO wants Brazil and other reluctant producers to see the importance of returning to an export quota system," the official said.

The Nairobi meeting will also look at ways of raising Africa's exportable coffee output to regain lost market share.

Africa's share of the world coffee market has dropped to 24 per cent from 30 per cent in the 1970s because of drought, the disruption caused by civil wars, poor marketing and a switch in consumer taste to mild arabica coffees from the coarser robustas.

Analysts at New York-based Lehman Brothers said on Tuesday that efforts by IACO to revive coffee export quotas were likely to encounter resistance from the big Latin American producers and the Africans had little to use as leverage.

Since quotas were suspended two years ago, when the ICO was unable to agree on consumer proposals to redistribute them on new lines, there has been a free market in coffee.

But prices have plummeted as producers around the world dumped their surpluses on the market.

Market analysts say Brazil has little interest in reinstating quotas as coffee is no longer its primary export.

Brazil wants to maintain its traditional 30 per cent share of the market, while the US, the leading consumer, says quotas should be based on criteria such as exportable production and stocks.

The presidents of Brazil's four most powerful coffee lobbies were meeting in the coffee town of Varginha, Minas Gerais state, yesterday for secret and unprecedented discussions on a possible common strategy, reports Reuters from Rio de Janeiro.

Mr De Barros, spokesman for the Centro Comercial dc Cafe, which is sponsoring the talks, denied market talk that the Brazilian Federation of Coffee Exporters, the National Coffee Council, the Brazilian Soluble Coffee Industry Association and the Brazilian Coffee Industry Association would use the meeting to form a joint body to strengthen their hand in talks with the government.

"That is not the objective," he said. "The meeting is looking for a consensus of the four groupings to develop a wide-ranging strategy for coffee."

Asked whether the meeting would discuss a joint position on a new International Coffee Agreement, Mr de Barros said, "I think all important matters are on the table for discussion."

Pumping up Caribbean oil output

Canute James reports on a fresh wave of exploration ventures

DRIVEN BY a combination of factors, including uncertainty about traditional sources and a pressing need to reduce foreign expenditure, several Caribbean states have begun to search for oil in their backyards.

Even before the price increases brought on by the Gulf crisis, both net importers and exporters in the region had started exploration programmes in joint ventures with foreign companies.

In some countries increased foreign exchange earning power is the goal. For instance, Trinidad and Tobago, already an oil exporter, wants to produce more to support an economy which has been contracting for the past seven years.

In Cuba, increasing concern over the continuation of guaranteed supplies from the Soviet Union has forced the government into an economic *volte face*, with foreign companies being granted concessions for exploring. In others, such as Belize, the hope is that oil discoveries will allow imports to be cut. Pentagon Petroleum of Louisiana has been granted a licence to explore a 268,000-acre concession at Blue Creek in northern Belize. The licence will run for four years and Pentagon will sink test wells and carry out seismic surveys. Government officials say the company has committed itself to spending US$400,000 on the surveys.

The officials have described as "fair" the prospects for finding commercially exploitable reserves. The concession is close to the border with Mexico, they said, and is geologically linked to the Peten Basin, which has yielded substantial deposits for Mexico. Belize has no domestic oil industry and the country's oil needs of about 600,000 barrels a year are imported from Mexico.

About 400 miles to the north-east, across the Yucatan channel, two French companies have been granted a six-year contract by a Cuban state agency to explore for oil in an 1,100 square mile concession off the island's north coast.

Some countries want to boost exports and others to cut imports, while Cuba is anxious about its Soviet supplies

The contracts have been granted to Total and the Compagnie Europeene des Petroles by the state-owned Union de Petroleo de Cuba. If any commercially exploitable deposits are found the three companies will share the benefits. Cuba has not allowed any foreign participation in its oil industry since the Castro government took power in 1959. Cuba's domestic oil industry, based on small wells mainly on the north coast, produces about 6 per cent of the island's needs. The rest, about 10m tonnes, is imported from the Soviet Union, which has said Cuba must now pay market prices.

In the neighbouring Dominican Republic, Mobil of the US has signed an agreement with the government to 14,300 square miles of prospects in the San Pedro de Macoris and Azwa regions. Under the two-year contract, Mobil is spending US$2.6m on geological and geophysical surveys to evaluate the potential of the concession. If the surveys are favourable the company will start an exploration programme costing up to US$14m, all of which will come from Mobil's resources.

Mobil is also involved in the exploration programme in Guyana, and has a contract from the government to explore a 7,800 square mile concession off the north-west coast. In the next few years the company will carry out seismic surveys and will sink exploratory wells, if this is thought commercially viable.

Mobil will join several other major companies in Guyana, which does not yet have an oil industry. Total of France, which is exploring an offshore concession, has found traces of oil and gas in a test well. The oil was not in commercial quantities and the well has been capped. The company plans to drill another in September.

London and Scottish Marine Oil also has an offshore concession covering 6,800 square miles and is carrying out seismic surveys. Hunt Oil of the US is analysing seismic material which it has collected from its onshore concession in the Takutu Basin region.

Trinidad and Tobago's oil production expanded by just under 1 per cent last year, from average output of 149,344 barrels a day in 1989. The country is moving to increase output significantly, and the state-owned oil company is spending US$400m on a secondary oil recovery programme and the upgrading and expansion of refinery capacity.

Just over 13m barrels of heavy crude will be recovered from onshore fields in the first phase of the programme, to be followed by the secondary recovery of 17m barrels of lighter crude from offshore fields.

Refining throughput, which has been about 80,000 barrels a day, will be increase when capacity is expanded to 160,000 b/d. The programme is being funded by loans from the Inter-American Development Bank, the Export Import Bank of Japan and the European Investment Bank.

The government says that it expects the oil recovery and refinery expansion programme to earn the country US$1.3bn in foreign earnings over the next 15 years.

The increases in the prices of petroleum products which the Caribbean countries experienced during the Gulf war damaged already weak economies that have been struggling to meet their oil bills. Trinidad and Tobago, as a net exporter, gained a small windfall. But governments in the region, including Cuba, appear to have accepted that even without disruptions of the market and high prices, it is a better bet to spend some time and money developing and expanding their domestic oil industries.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold fell below $370 a troy ounce on the London bullion market yesterday, although closing above the day's lows. Dealers said trade was very small. "Chartwise gold is well supported around the $368 level and I'm looking for it to move higher," one said. On the LME news that miners at Curragh Resources Faro, Yukon, mine had reached a tentative labour pact after a two months strike unsettled both the lead and zinc markets. This was the last of the labour disputes and production problems that have been in the markets for nearly a year and should ensure plentiful supplies of concentrates to smelters, particularly as the short summer shipping season from Arctic mines starts shortly. Aluminium continued active as the sharp rise seen after Monday's Reynolds Metals output cut had created fresh trading opportunities, traders said. London cocoa prices fell, but losses were limited by sterling's weakness against the dollar. In New York cocoa prices were at contract lows at midday. London dealers said business was generally dull with normal arbitrage buying from New York lifting the market from the lows during the afternoon. The last sharp sell-off in New York was quickly followed by a rally and a similar trend could emerge now, they said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.25-5.35z	
Brent Blend (dated)	$17.75-7.80	+.075
Brent Blend (Aug)	$18.35-8.40	+.025
W.T.I. (1 pm est)	$20.06-0.10z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
[illegible]	[illegible]	[illegible]

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	202.20	193.00	202.00 193.00
Oct	190.00	183.00	189.00 180.00
Dec	189.00	185.00	175.00
Mar	188.80	180.00	186.00 179.00
May	192.60	183.80	182.00
Aug	199.00	190.00	187.00
Oct	199.00	190.00	189.00
White	**Close**	**Previous**	**High/Low**
Aug	306.0	294.0	303.5 295.0
Oct	272.6	268.5	267.5 256.0
[illegible]	[illegible]	[illegible]	[illegible]

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	608	613	610 602
Sep	639	649	645 637
Dec	676	686	684 676
Mar	710	719	715 710
May	732	737	736 732
Jul	751	759	760 750
Sep	770	780	777 780

Turnover: 4940 (5665) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 12 773.94 (784.06) 10 day average for Jun 13 797.85 (796.66)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	548	536	544 527
Sep	569	563	571 549
Nov	594	587	595 578
Jan	615	608	618 600
Mar	626	628	636 616

Turnover: 3999 (3669) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 12 : Comp. daily 65.02 (65.65). 15 day average 66.00 (65.14)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Sep	80.0	80.0	
Mar	119.5	120.5	
Apr	118.3	119.2	118.5 118.5
May	132.0	132.5	

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 26,559 lots
Cash	1275-7	1292-4	1288/1266	1265-6		
3 months	1307-8	1324-5	1318/1267	1297-8	1314-5	87,322 lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,756 lots
Cash	1337-8	1356-7	1340/1338	1348-8.5		
3 months	1352-3	1363-4	1367/1349	1359-60	1352-3	132,977 lots
Lead (£ per tonne)						Total daily turnover 3,472 lots
Cash	342-4	329-30	349	349-50		
3 months	345-6	336-7	355/348	354-5	351-2	16,133 lots
Nickel ($ per tonne)						Total daily turnover 4,882 lots
Cash	8195-205	8095-105	8150/8150	8145-50		
3 months	8230-5	8130-40	8225/8180	8175-80	8225-35	18,327 lots
Tin ($ per tonne)						Total daily turnover 1,780 lots
Cash	5700-10	5720-5	5700/5700	5695-700		
3 months	5750-5	5803-5	5800/5775	5775-80	5780-90	7,814 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,076 lots
Cash	1089-101	1097-8		1105-6		
3 months	1115-6	1114-5	1140/1110	1121-2	1112-5	28,832 lots

LME Closing £/$ rate: SPOT: 1.6365 | 3 months: 1.6198 | 6 months: 1.6047 | 9 months: 1.5938

NGMS – London FOX

	Close	Prev.	High	Low	Vol
Indx	136.29	140.69			
Jun	139.20	141.50	138.60	138.60	200
Jul	140.00	141.30	140.00		40
Sep	140.00	140.60	140.00		60
Dec	141.10	141.80	141.10		30

Other London tables (SOYABEAN MEAL, FREIGHT, GAS OIL, CRUDE OIL – IPE, GRAINS, PIGS, FRUIT & VEGETABLES, LONDON BULLION MARKET, GOLD COINS, TRADED OPTIONS): [illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	370.2	370.2	370.3	369.3
Jul	371.3	371.4	0	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM, SILVER, HIGH GRADE COPPER: [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	19.87	20.05	20.18	19.87
Aug	20.06	20.18	20.30	19.86
Sep	20.24	20.36	20.47	20.20
Oct	20.48	20.54	20.85	20.46
Nov	20.66	20.65	20.75	20.62
Dec	20.86	20.89	20.79	20.82
Jan	20.58	20.61	20.69	20.57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL, COCOA, COFFEE "C", SUGAR WORLD "11", COTTON, ORANGE JUICE, INDICES: [illegible]

Chicago

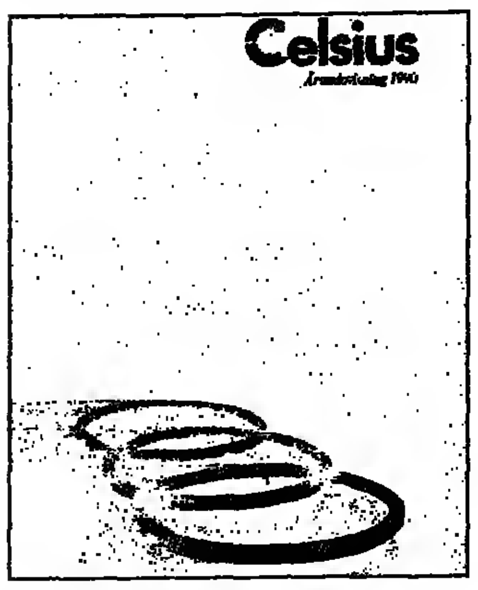
SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	671/4	573/4	674/4	570/4
Aug	575/0	578/0	578/2	574/0
Sep	575/0	579/0	579/4	574/2
Nov	582/0	586/0	586/4	581/0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL, SOYABEAN MEAL, MAIZE, WHEAT, LIVE CATTLE, LIVE HOGS, PORK BELLIES: [illegible]

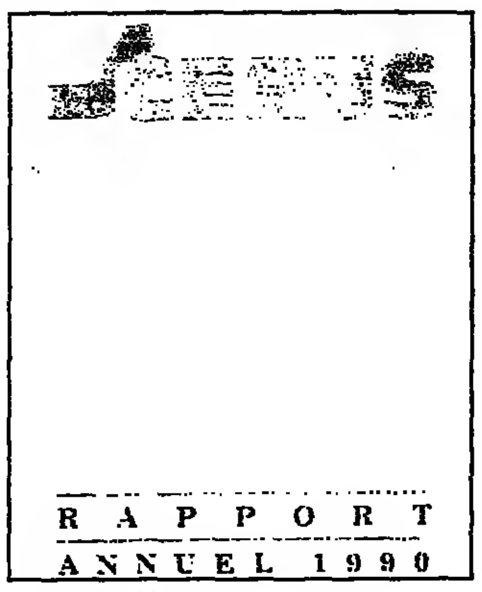
European Annual Reports 2

Part 2 of a two page series appearing on June 13th and 14th



Celsius 13

Celsius Industries Corp. is the parent company of an industrial Group with operations concentrated to three business areas, i.e. marine activities, piping installations and real estate development. The Celsius Group reports a profit for 1990 of SEK 477 M before allocations and taxes, which represents an improvement of 15% over the previous year. Invoiced sales amounted to SEK 7,7 billion.



CERUS 14

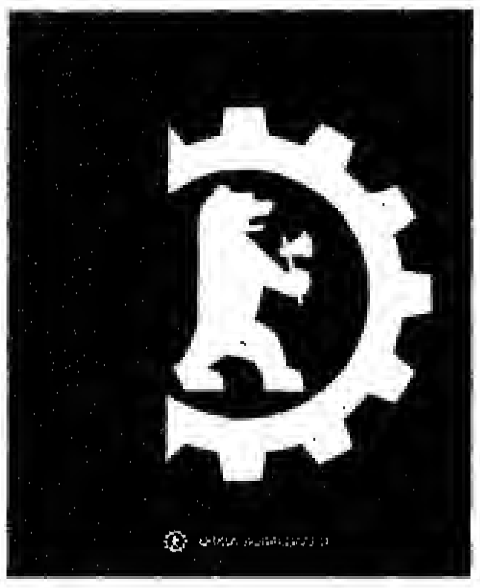
CERUS – Compagnies Européennes Réunies – is the diversified European bolding company of the Italy-based De Benedetti Group, uniting under its aegis all De Benedetti interests outside Italy.
CERUS is actively present throughout the entire range of its industrial and financial participations (national and international) that are deployed in growth-oriented sectors.
CERUS's strategy in the 1980's was one of diversification and *expansion. In the 1990s CERUS will favour concentration on key* activities in which it has developed expertise and on companies in which it is a majority shareholder.

CPR 15

The CPR – Compagnie Parisienne de Réescompte – group ranks 15th among the largest banking groups in France with total assets of FRF 70 billion and a capital base of FRF 2.5 billion.
The group is active in financial intermediation as a reporting dealer in French government securities and through the Paris based stockbroker Schelcher – Prince. It also provides investment management services for a corporate and institutional clientele. Internationally the group is present in the UK with the discount *house Seccombe Marshall & Campion Plc* in the USA, in the Netherlands, in Belgium and on the Italian market.
CPR's bis ratio was 11.5% at the end of 1990.

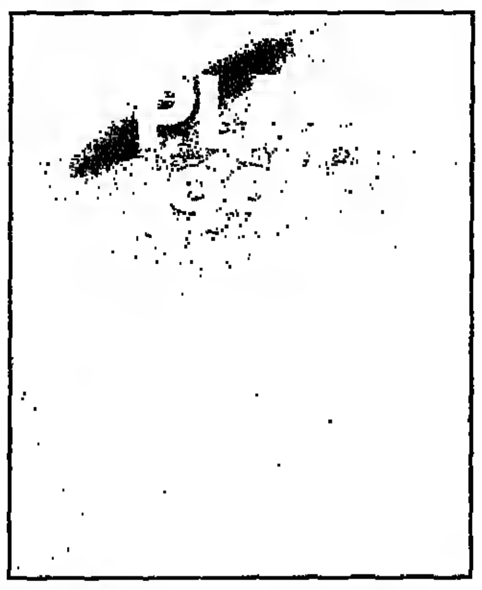
NOBEL INDUSTRIES 16

Nobel Industries has 27,000 employees and a turnover of more than 2,700 GBP. Operations are signified by a forceful expansion, primarily on the international market. The corporation is organised in seven Business Areas, which operate decentralised, the principal branches being chemicals and electronics.
Many well-known brandnames come from Nobel Industries: Casco, Nordsjö, Crown, Sadolin, Expancel, Compozil, Vademecum, Substral, Sergio Tacchini's fragrances, Silkience, La Toja and Scorpio.



ORKLA BORREGAARD A.S 17

Orkla Borregaard is one of Norway's largest groups, with more than 6,300 employees. Turnover in 1990 exceeded NOK 8.1 billion, of which 28% was derived from sales outside Norway. Profit before extraordinary items totalled NOK 646 million.
Orkla Borregaard's business is based on the group's know-how within branded products, chemical process industry and financial investments. Its interests extend from food, detergents, toiletries, *cosmetics and other consumer goods, media and process industries* to investments in shares and real estate and financial services.

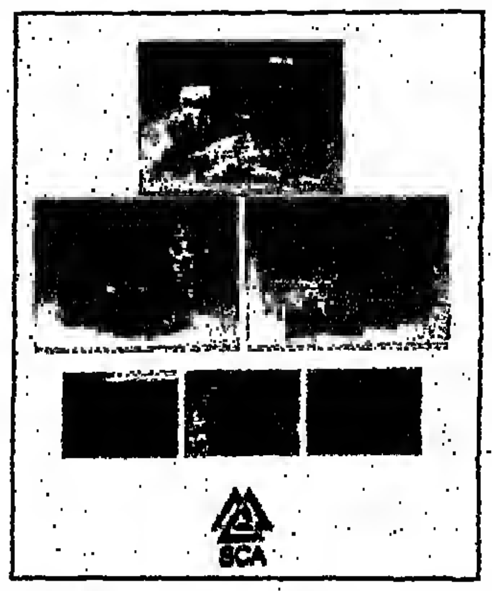


PLM 18

PLM is one of Europe's largest and most versatile packaging companies, producing and developing packages in metal, glass and plastics. PLM employs over 6,000 people in 7 European countries and is headquartered in Malmö, Sweden.
The Annual Report will show successful results for 1990 with sales amounting to SEK 5,856m and earnings after financial items to SEK 384m.

S-E-BANK GROUP 19

The S-E-Bank Group – Skandinaviska Enskilda Banken with subsidiaries – is the largest banking group in Sweden and in Scandinavia with total assets of *SEK 453 billion in 1990.*
The S-E-Bank Group's operating profit in 1990 was SEK 3.3 billion. Shareholders' equity and untaxed reserves exceeded SEK 25 billion. With its strong capital base the Group more than fulfilled the new capital requirements that were introduced in *1990. Capital adequacy at year-end was 9.1 per cent.*
S-E-Banken, with approximately 12,000 employees, is represented in some 25 countries round the world – via subsidiaries, branches and representative offices.

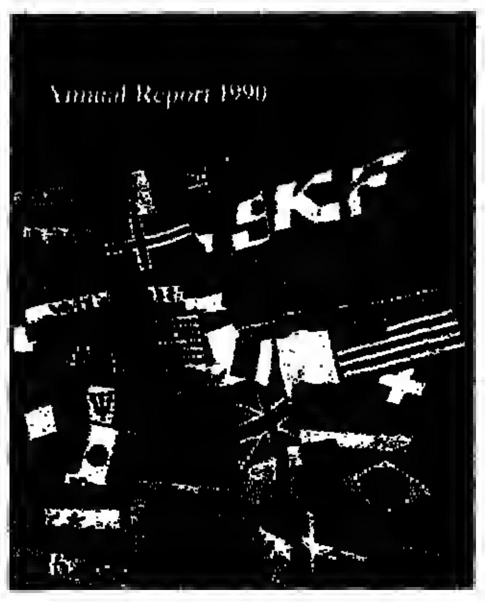


SCA 20

The most significant event in 1990 was the acquisition of Reedpack, which gave SCA a strong position as the leading European company in transport packagings. SCA also gained access to technology for newsprint based on recycled fibre and became Europe's second largest wasto paper merchant. The proportion of consumer-oriented and converted products increased to two thirds of sales.
Earnings after financial net was SEK M 2,127. Earnings per share amounted to SEK 7.26.

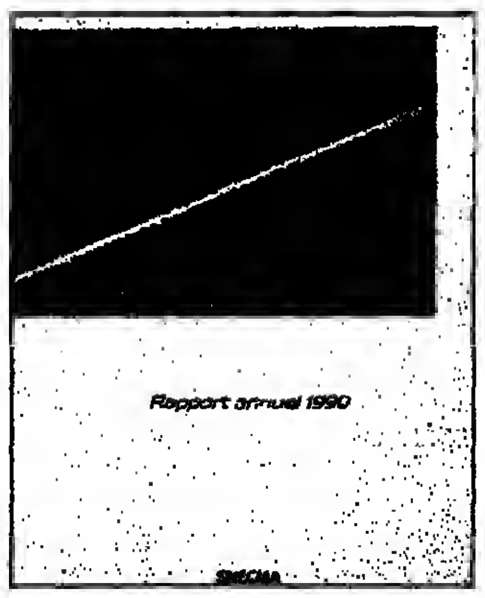
SKANDIA 21

Skandia Group Insurance Company Ltd., is an international company within the insurance and financial services sector, based in Sweden with the Nordic countries as its home market. Since its foundation of the company in 1855, Skandia has been among the leading Swedish insurers. The Skandia Group has become progressively more international with acquisitions outside Scandinavia, *at the same time Skandia is continuing to strengthen* its position in its important home market. Total yearly gross premium income amounts to nearly SEK 34 billion. Skandia Group shares are listed in Copenhagen, London, Oslo and Stockholm.



SKF 22

SKF is the world leader in rolling bearings, with a world market share of approximately 20%. The Group also manufactures a wide range of related precision engineering products, including machine tools, cutting tools, seals and components for linear motion, textile machinery and aerospace applications.
Consolidated income after financial income and expense *amounted* to SEK 1,750 million for 1990. *Group sales increased by* 10.8 percent to SEK 27,766 m. Of total income, bearings accounted for 76%, tools for 6% and components for 18%.



SNECMA 23

SNECMA, a French State-owned company, is one of the four largest aero engine makers in the world. Exports account for more than 83% of its sales, and commercial orders represent 76% of its backlog.
With the Group's six subsidiaries, it is a major force in the aerospace industry, employing a work force of 28,000.
1990 *parent company sales of* FF 14,130 billion *and Group sales of* FF 23,533 billion figures confirm Snecma's satisfactory 1989 performance.

BP 24

The British Petroleum Company p.l.c. is one of the world's largest international petroleum and petro-chemical companies. Key strengths are in exploration and production, refining and marketing, and in chemicals. The company also has *important* interests in nutrition. It supports all its businesses with high quality research and technology. About 35% of BP's fixed assets are in the USA.
BP shares are quoted on stock exchanges in the UK, the USA, Japan, Canada, Switzerland, France, Germany and the Netherlands.

Part 3 will be featured on Wednesday 19th June 1991

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LONDON STOCK EXCHANGE

Equities close well above their lows

UK STOCKS held up fairly well yesterday against a backcloth of discomforting reports on the progress of the UK economy, taking support from a relatively steady opening on Wall Street. Trading volumes remained fairly light in London but the FT-SE Index staged a successful recovery from mid-session falls to close only a few points down on the day.

The session opened with prices backing away following the fall of 24 points on the Dow Industrial Average overnight. With hopes for an early cut in domestic base rates put in cold storage this week by the Bank of England's messages to the London money markets, UK equities lacked certainty yesterday.

Trading was thin in early dealings as the market awaited the day's batch of economic data. The mood was depressed by a report from the Confederation of British Industry (CBI) that it saw little prospect of a recovery in domestic retail sales before the end of the current year. The CBI's Quarterly Survey of Distributive Trades disclosed that retailers had seen further setbacks in sales during May.

The CBI report appeared to indicate that there is still little sign of any reduction in recessionary pressures on the domestic economy, and it is this factor which has most depressed the equity market.

Share prices drifted lower, and were further upset by the latest news on UK unemployment, although the rise in May was somewhat lower than expected, albeit a further indication that recessionary pressures continue to bear down on the UK economy.

At the day's low point, the FT-SE Index was down 9.8 at 2,510.4. London was braced for a weak opening on Wall Street but, in the event, the Dow showed only a minor fall and, more significantly, according to London traders, the New York bond market had rallied successfully from early falls by the time UK traders headed homewards.

UK stocks recovered in modest turnover, and at the close the fall on the FT-SE Index had been cut to 5.6 for a final reading of 2,514.6. This placed the Index comfortably inside the 2,450 – 2,550 trading range identified by market strategists who are inclined to brush aside the market's unsuccessful challenge this week to its all-time peak of 2,545.3, established in mid-April.

Seaq-reported trading volume eased back to 457.8m shares from the 463.2m of the previous session. Dealers said that institutional interest had been largely confined to the corporate reporting list, where Cable & Wireless were strong after the profits figures and dividend news.

International factors played only a subdued role in the stock market, although the reception from the White House to the outcome of the presidential elections in the USSR was well received.

Among blue chip stocks, Glaxo was a weak spot after the Swedish competitor for Zantac, Glaxo's best selling drug, gained approval in the US. Wall Street uncertainties restrained shares in BOC and BAT Industries, while the oil share sector also turned in a drab performance as UK investors assessed the outlook for the dollar and for the US stock market.

Shares in ICI gave ground as some City analysts hardened to the view that an all-out bid from the Hanson Group might meet significant regulatory resistance.

Banking issues, which have been under pressure after criticism regarding their lending policies to industry, had a more calm session yesterday.

Account Dealing Dates		
*First Dealings:		
June 3	Jun 17	Jul 1
Option Declarations:		
Jun 13	Jun 27	Jul 11
Last Dealings:		
Jun 14	Jun 28	Jul 12
Account Day:		
Jun 24	Jul 8	Jul 22

*New-time dealings may take place from 9.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	June 13	June 12	June 11	June 10	June 7	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	83.85	83.83	83.93	83.93	83.88	79.95	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.93	92.94	92.94	92.96	93.52	88.20	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1970.8	1973.3	1991.1	1984.4	1955.2	1928.6	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	205.2	207.9	209.1	201.7	195.4	168.2	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2514.6	2520.2	2542.6	2511.9	2506.3	2403.0	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1179.47	1181.07	1190.90	1184.49	1184.89	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.84	4.83	4.79	4.86	4.86	4.78				
●Earning Yld %(full)	8.55	8.53	8.46	8.49	0.52	10.55				
●P/E Ratio(Net)(☆)	14.42	14.45	14.55	14.57	14.52	11.48				
SEAQ Bargns 4.45pm	25,296	25,724	26,892	24,546	24,127	33,829				
Equity Turnover(£m)†	-	950.82	1272.80	891.12	814.36	1272.36				
Equity Bargains†	-	25,324	26,436	24,006	22,736	33,480				
Shares Traded (ml)†	-	414.8	451.3	382.4	341.4	470.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ nil 13.62

Ordinary Share Index, Hourly changes — Day's High 1977.8 — Day's Low 1968.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1970.2	1974.6	1975.9	1976.2	1972.5	1972.6	1968.4	1970.6	1971.6

FT-SE 100, Hourly changes — Day's High 2522.9 — Day's Low 2510.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2515.2	2519.7	2522.7	2519.7	2515.6	2515.9	2510.8	2512.9	2515.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1101.13 — Day's Low 1176.36

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1180.75	1180.28	1179.04	1177.28	1176.52	1176.49	1177.41

GILT EDGED ACTIVITY

Indices*	June 12	June 11
Gilt Edged Bargains	91.9	98.6
5 – Day average	91.2	88.5

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

C & W results welcomed

The best performance from Footsie stocks was Cable & Wireless (C & W), whose shares moved up 16 to 587p, after turnover of 4.4m shares, following results better than expected.

Specialists said the market's profits expectations for C & W had ranged from £575m to £615m, and that the actual figure, £609m, some 16 per cent up on last year, was comfortably above the majority of forecasts. The dividend total, 11.8p against 10p, was also seen as higher than general expectations.

It was also pointed out that C & W had underperformed substantially, by 10 per cent against the market last year, and had been weakened by political anxiety concerning the future of Hong Kong. New York helped the shares rise against the trend of the wider market. They added 4 at 826p.

There was a sharp convergence in the share prices of the Racal "twins" after the market digested details of the demerger of Telecom from Electronics. Electronics shares eased 5 to 224p with a hefty 9.1m changing hands, but Telecom fell by a more significant 16 to 373p with turnover reaching 1.5m shares. Trading in Telecom is much thinner than in Electronics with turnover levels barely approaching the 1m mark.

The steep decline in Telecom was attributed by telecoms specialists to the absence of any news in the latest demerger proposals of any speculative interest in Telecoms. There have been numerous stories in the market since the end of last year that one or more of the big international telecoms group had been stalking the group with a view to winning control of the highly successful Vodafone network.

Vehicle hiring company Dawsongroup slid 5 to 53p as profit-takers moved in after a recent good run. Traders said that a story of a line of 1m shares on offer was "spurious".

Associated British Ports firmed 3 to 292p on further consideration of price paid by Hong Kong conglomerate Hutchison Whampoa to P & O in Wednesday's sale of Felixstowe port.

A surprise £27.4m rights issue at a deeply discounted 150p a share weighed down Staveley Industries and left the shares 11 lower at 180p. Staveley said it would use some of the money to acquire for $23m the 48 per cent not already owned in its US subsidiary Weigh Tronix, and the rest to help fund further expansion. The rights issue accompanied Staveley's preliminary profits, which were in line with expectations, and a warning that this year's figures would be hit by a drop in orders.

Tace continued to reflect growing speculation that a bid – in excess of 210p a share – from Cambridge Electronic is to the pipeline, and the shares jumped 12 to 203p.

British Gas were sustained by a positive note issued by Strauss Turnbull, who maintained that Gas will increase the dividend by 10 per cent per annum and that the stock ranks with Shell on quality.

The broker said the prospective yield of 7.3 per cent, against Shell's 5.6 per cent, is excessive. "Gas is cheap compared with oils and utilities," said Ms Irene Himona at Strauss. Gas closed marginally ahead at 251p, with 5.1m shares changing hands.

Ranger Oil lost 13 to 435p after Canadian broker Scotia McLeod placed WestCoast Transmission's 10.5 per cent stake with a number of Canadian institutions at C$8.04 a share. There were hints in the market that a further 5 per cent stake could be up for sale as well as the 10 per cent stake held by Norsk Hydro.

Full year profits from Smith New Court were, as expected, sharply lower at £7.6m compared with £14.5m and badly affected by the sharp contraction in market activity during the Gulf crisis. Smith shares, given a considerable boost recently by the company's success in attracting big and profitable market deals such as Hanson's acquisition of a 2.8 per cent stake in ICI, fell 5 to 133p.

Bradstock, the insurance broker, edged higher to 149p after the increased dividend. Lloyd Thompson, regarded by analysts as having been left behind during the sector's strong run, jumped 22 to 365p.

Royal Bank of Scotland (RBOS) held at 178p. Analysts were intrigued by news that Banco Santander, the Spanish bank which has a 10 per cent stake in RBOS, had raised significant amounts of money in recent days.

The Spanish bank, said to be among the best capitalised in the world, raised $365m in the US two days ago, via dollar-denominated loan stock, and on Monday raised £210m in convertible bonds. One theory put forward was that Santander may be considering an increase in its stake in RBOS to 15 per cent and, with Bank of England approval, even further, possibly to 29.9 per cent.

Lloyds Bank advanced 8 to 344p after a broker's buy note.

Amber Day, the stores group, slipped 3½ to 98p after unveiling a £47m rights issue to reduce borrowings and fund expansion.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

Rank weakens

Rank Organisation slipped after negative comment from two securities houses. Mr Bruce Jones at Smith New Court cut his forecast for the current year's profits by £12m to £295m. "The recovery in the second half is going to be more muted than we thought," said Mr Jones, adding that the performance of US associate Rank Xerox would also be hit.

At Carr Kitcat & Aitken, Mr Stephen Benzikie said that the shares had done well in recent weeks and that there was scope for disappointment from the interim results due next month.

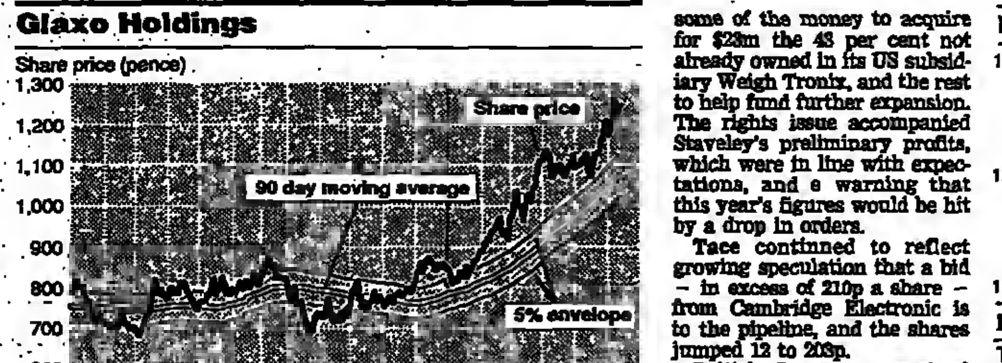
Sentiment in Rank was also hit by the recent statement from First Leisure to analysts that the nightclub business was difficult. Rank lost 11 to 684p on steady turnover of 1m shares.

Trafalgar House reversed direction as investors dismissed much of the previous day's bid talk. The shares eased 5 to 260p in solid trade. The reported suitors, BTR and P & O, both gained ground; BTR firmed 4 to 401p and P & O edged a penny higher to 574p.

Others companies mentioned as possible targets for a bid from BTR, namely some constituents of the packaging sector, continued to benefit. Bowater added another 6 at 621p, and CMB Packaging, whose European interests make it a traders' favourite, climbed 50 to 1563p.

Modest buying of Reuters in

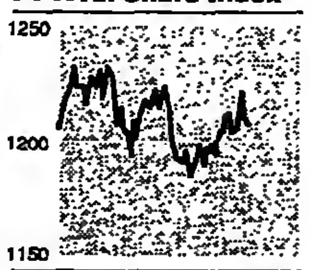
Glaxo Holdings



Source: Datastream

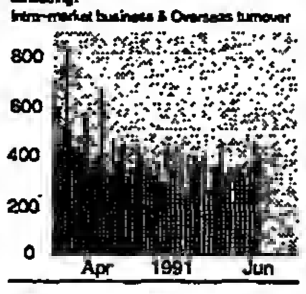
Glaxo's performance in recent weeks has left it vulnerable to profit-taking on even slightly compromising news. The chart shows the company's share price with its 90-day average (the average price over the previous 90 days). Since January the shares have risen so strongly that they have remained more than 5 per cent above the moving average. Over the previous five years, the 5 per cent barrier had only been broken for a few days at a time. So while yesterday's news of US approval for a rival to Glaxo's best selling drug Zantac had been expected, although perhaps not so soon, Glaxo dropped 39 in early trade. It eventually clawed its way back to 1227p for a net fall of 21.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (91).
BRITISH FUNDS (2) Treas. 8pc 1991, Treas. 8pc 1992, AMERICANS (8) Abbott Labs., Bethlehem Steel, Bowater Inc., CPC, Eaton; Quaker Oats, Sears Roebuck, Unitek, Whirlpool, CANADIANS (11) Amer. Barrick Res., BC Gas, BCE, Bk. of Montreal, Bk. of Nova Scotia, Can. Imp. Bk., Hudson's Bay, Imperial Oil, Inco, Nova Corp. of Alberta, Royal Bk. of Canada, BANKS (2) Kyowa, Mitsui Tst. & Bkg., BREWERS (1) Seagram, CHEMICALS (3) Akzo, Engelhard, Joyce, STORES (4) Kingfisher 8½pc Cnv. 2000, Sherwood, Specsavers, World of Leather, ELECTRICALS (6) Cray Elecs., Elect. Data Proc., Ntha. Telecom, SD-Scicon, TDK, Wholesale Fittings, ENGINEERING (3) TACE, Thyssen, Vosper, FOODS (3) Morrison (Wm) 5¼pc Prf., Perkins Food, Tate & Lyle, INDUSTRIALS (17) AGA, Alfa-Laval B, Aser Free A, Assoc. Brit. Ports, Boots, Boxmore Intl., Brooks Servs., CMB Packg. Office & Elect., Coolest, NCO, Ranco Off, Rolls & Nolan, Sidlaw, Siebe, Swire Pacific A, Williams, INSURANCE (1) USLIFE, LEISURE (1) Radio City A NV, MOTORS (4) Gen. Motors Unlsd, Pendragon, Sanderson Murray & Elder, Volvo B, PAPERS (1) Ferguson Intl., TEXTILES (3) Faspel Trading, Lyles (S), TRANSPORT (1) GATX, TRUSTS (14) F & C Smaller Cos., Fidelity Japan OTC & Regd., Do. Wrrnts, Genesis Emrg Mkts., JF Philippine, Jupiter Tarbutt Merlin, Personal Assets, RIT Cap., Do. 2.5pc Cnv. 2000, Rights & Issues Inc., River & Merc. Amer. Inc., River & Merc. Tst. Stppd. Prf., Templeton Emrg. Mkts., Do. 1pc Ln., OILS (1) Bow Valley, MINES (5) Burmin Expl., Durban Deep, Elsburg, Geevor, Mount Burgess.

NEW LOWS (34).
BUILDINGS (2) Bellwinch, Graham Wood, ELECTRICALS (2) Feedback, Palen, ENGINEERING (1) Tex, FOODS (3) ASDA, Ptarmigan, HOTELS (1) Regal, INDUSTRIALS (10) Armour Trust, Bridport-Gundry, Delaney, Forwell, Hay (N), Hornby, Savage, Stainless Metalcraft, Tamaris, Willars Cnv. Prf., LEISURE (2) European, HTV, PROPERTY (3) Britannia, Control Secs., Greycoat, MEPC, Waterglade Intl., SHOES (1) Stylo, TRANSPORT (1) Lep, TRUSTS (2) Drayton Cons., Finlay (J), OILS (4) Europa Energy, Gt. Western Res. A, Tusker Res., Ultramar, MINES (1) Monarch Res.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	704	78	-3	Courtaulds	942	481	+4	MB Caradon	1,300	224	+4	Siebe	1,600	457	+15
ASDA Group	2,900	105	-1	Dalgety	1,400	380	-4	MEPC	380	472	-6	Slough Ests	318	248	
Abbey National	1,300	277	-3	De La Rue	131	405		Marks & Spencer	5,700	261	-4	Smith (W.H.) A	111	386	-2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

There was good volume yesterday in the derivatives market, with much of the trend set by London's reaction to Wall Street's performance. Traders were disappointed initially by the latest US Producer Prices Index but confidence rallied when the New York bond market recovered early losses to show little change as dealings closed in London.

After a slow start, the June futures contract on the FT-SE Index edged higher to show a premium of about six points against the underlying cash index. However, the premium was trimmed later as business died away towards the close.

Trading was featured by further activity in the spread between the June and the September contract on the Footsie. For the first time, liquidity in the September contract which will soon become the active contract in the marketplace, reached levels at which it can trade without reference to the June contract which expires at the end of this month.

In traded options, there was activity in the FT-SE contract but most of the interest focused around individual stock options. Boots options business represented about one fifth of the market's total turnover. The Boots October 390 straddle was traded heavily as were the July 360 and 330 calls.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100¾	94¾	Treas 10pc 2003	96¾	+⅛	10.34	10.46
108¼	102	Treas. 11½pc 2001-04	104¾	+⅛	10.98	10.69
58¼	53⅝	Funding 3½pc '99-04	56⅝	+⅛	6.17	9.26
97¾	90⅛	Conversion 9½pc 2004	93⅛	+⅛	10.17	10.41
97¼	90	Conversion 9½pc 2005	93⅛	+⅛	10.16	10.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95⅞	African Dev Bk 11¼ Ln 2010	98⅛	+⅛	11.27	11.29
97⅞	91⅞	Asian Dev Bk 10¼pc Ln 2009	94⅛	+⅛	10.83	10.92
112¼	105⅞	Int-Am Dev Bk 12½pc 2003	109¾	+⅛	11.46	11.08
92⅞	86⅞	Do. 9½pcLn 2015	89⅞	+⅛	10.89	10.99
122	101	Medcan State 16½pc 2008	122	....	13.52	12.11

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

New chief at motor company

■ At T. COWIE Mr Gordon Hodgson *(pictured)* has been appointed chief executive. Mr Hodgson was previously deputy chairman and finance director. Mr Tom Cowie, company founder, will continue as executive chairman, while Mr Steve Lonsdale, formerly group accountant, has been appointed financial director.

■ Mr David Parry, currently managing director of Royal International, has been made managing director of ROYAL LIFE HOLDINGS, where he will succeed Mr Bill Scanlan who retires on June 30. Mr Scanlan retires from the board of Royal Insurance Holdings at the same time.

Mr Don Shore will become deputy managing director of Royal Life Holdings on July 1. Mr Shore recently joined the company from Prolific Life and Pensions where he was chairman and managing director.

■ BUNZL, the distribution and specialist manufacturing group, has appointed Mr Lawrence McQuade as a non-executive director. An American citizen based in New York, he is vice chairman of Prudential Mutual Fund Management and managing director, investment banking, of Prudential Securities Inc.

■ Mr Martin Sullivan has been appointed to the new position of chief operating officer at AIU (UK). He has been with AIU in the UK for 20 years and has had a number of positions in property underwriting and general management.

■ NURDIN & PEACOCK, cash and carry wholesaler, has appointed Mr Robin G.B. Lamb as company secretary.

■ SANWA INTERNATIONAL, the European merchant-banking arm of the Sanwa Bank Group, has appointed Mr Nicholas W. F-R Dungan as an executive director. Mr Dungan becomes the investment banker at Sanwa International with responsibility for the firm's investment banking activity chiefly in France, Switzerland, Belgium, Austria and Luxembourg. He joins Sanwa International after nine years at Merrill Lynch, most recently with responsibility for clients in the same areas he is now covering at Sanwa.

■ AMERICAN AIRLINES has appointed Ms Barbara Feeser *(pictured)* as general manager, Heathrow Airport, the airline's first female airport manager in the UK. She has held a variety of management positions in different areas of the company, including director of employee relations and general manager at Washington National Airport. Most recently she was general manager at Boston's Logan Airport.

■ Mr Nigel Lugg is to join WARNERS (UK) as a director on July 1. He is currently with House of Fraser.

Mr Russell Harrison has been appointed as merchandise director – responsible for the bra and lingerie product direction of its private label and brand businesses. He joined the company from Marks and Spencer.

■ VIDEOTRON, the UK cable television company, has made Mr Michael Cobb managing director responsible for the company's west London cable operations. He was formerly managing director of the company's Southampton operation. His successor in Southampton is Mr Roger Wilson who joins Videotron from his previous post as managing director of Swindon Cable.

■ On July 1 Mr Jerry Michell *(pictured)* takes responsibility for part of LEGAL & GENERAL's £2bn life fund property portfolio.

Mr Michell has been senior investment partner at Drivers Jonas for the past 11 years where he has established a reputation as an investment and fund management adviser for pension funds and other institutional investors.

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅞	20⅞	Abbott Laboratories$	30	+⅜	$1.[illegible]	–	1.9
385p	257p	♦Allegheny & W 1c	321p	–16	[illegible]	–	5.5
10¼	667p	Amdahl 5c	993p	–19	[illegible]	–	0.6
38⅝	25¼	Amer. Cyanamid $5	38⅛	....	$1.[illegible]	–	2.3
17⅞	9⅞	Amer. Express 60c	14¼	–⅛	[illegible]	–	3.8
22⅞	15¼	American T. & T. $1	22	+⅛	$1.[illegible]	–	3.5
38⅞	32½	Ameritech $1	34⅝	–⅜	$3.[illegible]	–	5.4
23⅞	11	BankAmerica $1	23	+⅛	$1.[illegible]	–	3.1
34⅛	20⅞	Bankers N.Y. $1	33⅞	–¼	$1.[illegible]	–	8.5
29⅝	24¼	Bell Atlantic $1	27½	+½	$2.[illegible]	–	5.1
31¼	25	BellSouth Corp	28¼	....	$2.[illegible]	–	5.5
10¼	6⅞	♦Bethlehem Steel $8	10¼	+⅛	40c	–	2.3
1826p	1046p	Bowater Inc.	1826p	+14	$1.30	–	3.9
9½	4½	Brunswick 75c	0⅞	–⅛	44c	–	2.9
52⅞	37⅞	CPC Intnl. 25c	52⅞	+⅛	$2.00	–	2.2
852p	420p	California Engy.	726p	–21	–	–	–
50	28¼	Campbell Soup 15c	44¼	–⅛	$1.16	–	1.5
12⅞	5⅛	Chase Manhattan $12½	11½	....	$1.20	–	5.7
8⅞	5½	Chrysler $6¼	8⅛	–⅛	60c	–	4.1
10⅝	5⅞	Citicorp $1	10⅛	–⅛	$1.00	–	5.8
24¼	21⅞	Colgate-Palmolive $1	23⅜	+⅛	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	833p	–5	$1.00	–	7.1
21⅞	13⅞	Dana Corp $1	20⅞	–⅛	$1.60	–	4.6
1056p	203p	Data General	978p	–11	–	–	–
21⅞	12⅞	Dial Corp $1.5	11⅛	....	$1.40	–	3.9
29	20⅞	Dun & Bradstreet $1	28¼	+½	$2.16	–	4.4
36⅞	24¼	Eaton Corpn 50c	36⅞	+⅛	$2.20	–	–
8¼	5½	Echlin Inc.	8⅛	+⅛	70c	–	5.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

♦ Trusthouse Forte see Forte

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON SHARE SERVICE

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

26	17 Greenwich Res 5p	19				
£10½	£7¾ Homestake Mining $1	£10		020c		1.2
61	30 Ibernia West	53				
46	36 Kells Mins. Ir5p	37				
25	9 Kenmare	14				
18	15 Navan Resources	18				
99	52 Northgate Expl. C$1	81				
16	6 North West Exp	7				
	2¼ Nor-Quest Res	10½	+¼			
	82 Orn Gold Hldgs	105				
	11 Ovoca Gold IR 2p	15	+1			
	24 Pateau Mining 20p	28	+1			
573	404 RTZ 10p	552	-7	19.5	2.2	4.7
	3¼ Thorco Res. Inc.	6¼				
	5 Vizcaya Hldgs 5p	5				
	120 Young Group 10p	126		5.2		3.5

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ▼ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	650	......
Finlay Pkg. 5p	28	......
Holt (Jos) 25p	1020	......

IRISH

Cap. 8½% Ln. 1991	£99¼	......
9pc Cap Ln. 1996	£98¾	......
Fin. 13% 97/02	£115	......
Arnotts	165	......
Helton Hldgs	40	......
IRG	132½	-12½
United Drug	178	-2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	30
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	10
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,250 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Maiden Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 071 226 6056

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5850

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	132.6	132.6	141.1	-0.7	4.01
Gilt & Fixd Int	5	140.5	140.5	147.0	-0.3	8.71
Intl Growth	5¼	152.9	154.3	164.2	+1.3	0.39
North American	5¼	98.94	100.5	106.9	-0.1	0.30
Far East	5¼	121.8	122.9	130.7	+2.1	0.32
UK Smaller Cos	5¼	105.9	109.0	116.0	-0.5	3.00
Europa	5¼	55.71	55.73	59.45	-0.04	1.16
Japanese Growth	5¼	38.57	38.57	41.34	+0.12	0.00
Managed P'folio	5¼	49.90	50.53	53.54	+0.25	1.66
High Income	5¼	149.2	151.1	160.7	-0.6	6.97
High Yielding Gilt	5¼	60.72	60.72	64.00	-0.05	9.00
Cash		50.90	50.98	50.90	+0.01	10.38

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0125

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	156.0	156.0	166.6	—	0.92
European Gwth	5¼	201.0	201.0	214.5	-0.5	0.00
Intl Gwth	5¼	149.4	149.4	158.8	+1.1	0.00
UK Equity Inc	5¼	117.5	117.5	125.5	-0.1	4.41
UK Equity Acc	5¼	132.3	132.3	142.5	-0.1	4.41
UK Ind Tracker Inc	5	122.0	122.0	130.3	-0.3	3.85
UK Ind Tracker Acc	5	130.4	130.4	139.2	-0.4	3.85
US Eq Ind Tracker Inc	5	146.5	146.5	157.1	+0.3	2.85
US Eq Ind Tracker Acc	5	151.2	151.2	162.2	+0.3	2.85
Japan Tracker	5	64.48	64.48	68.38	+1.2	0.00
Asian Tracker	5¼	87.92	87.92	94.00	+0.81	1.42
Managed Inc	5¼	99.69	99.59	107.1	+0.3	1.99
Managed Acc	5¼	101.5	101.5	109.2	+0.3	2.99
Cash Inc	0	100.14	100.14	100.14	+0.02	11.80
Cash Acc	0	108.50	108.50	108.50	+0.03	11.80
Europa	5¼	106.0	106.0	113.3	-0.2	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	118.53	118.61	126.40	-0.38	2.60
Exempt Smllr Cos	5¼	225.16	225.16	244.41	-4.99	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at which the unit trust's valuation point *unless another time is indicated by* the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. *Daily dealing* prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown *are the latest available before publication and may* not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper *are the most recent provided by the managers.*

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

مكتبة الأصل

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Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488

City Of Edinburgh Life Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Far East Emerg Econ	42.6	44.7	+0.4	-
Fund of Inv Tsts	59.3	62.3	...	-
Money	150.8	158.4	...	-
Special Situations	81.8	85.9	-0.1	-
UK Growth	122.9	129.0	-0.2	-
World Growth	118.3	124.2	+1.0	-
Pension Funds				
Fund of Inv Tsts	132.2	138.8	+0.1	-
Special Situations	120.4	126.4	-0.2	-
UK Growth	203.9	214.1	-0.3	-
World Growth	145.8	153.1	+1.3	-
UK Life Assurance				
Managed	101.9	107.3	+0.2	-
Property	129.8	136.7		-
Equity	130.8	137.7	-0.1	-
International	90.0	94.7	+0.6	-
Fixed Interest	114.1	120.1	...	-
Deposit	132.4	139.4	+0.1	-
Langham 'A' Plan	114.8	120.8	...	-
Langham Prop Bond	619.3	651.8	...	-
Langham Wisp Managed	173.1	182.2	...	-
Pension Funds				
Managed Capital	73.5	77.3	+0.3	-
Managed Accum	116.3	122.4	-0.6	-
Property Capital	98.6	103.8	+0.1	-
Property Accum	155.9	164.1	+0.4	-
Equity Capital	95.9	100.9		-
Equity Accum	151.8	159.8	+0.3	-
Intl Capital	61.4	64.6	+0.7	-
Intl Accum	97.1	102.2	+1.2	-
Fxd Int Capital	86.6	91.3	+0.1	-
Fxd Int Accum	137.0	144.2	+0.3	-
Deposit Capital	120.9	126.7	+0.3	-
Deposit Accum	175.5	184.7	+0.6	-
Langham Harvest	284.4	299.3	...	-

INSURANCES

R UK UNIT TRUSTS

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Commodity	$16.27	17.10	+0.02	-
Eurobond	$31.16	32.72	-0.12	-
Money (z)	$37.24	39.11	..	6.04
Mortgage (z)	C$16.04	16.84	-0.03	-
North American	$43.44	45.62	-0.27	-
Overseas	$26.25	27.57	-0.21	-
Pacific Gold	$3.66	3.85	-0.05	-
Tiger	$45.33	47.65	+0.11	-
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 70:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.46	10.47	.....	-
Dollar Fd OPUPs	$5.65	5.67	.....	-
Sterling Fd BOPUPs	£10.23	10.24	.....	-
Sterling Fd OPUPs	£5.93	5.95	.....	-
DM Fd BOPUPs	DM9.85	9.86	.....	-
DM Fd OPUPs	DM5.67	5.68	.....	-
Yen Fd BOPUPs	$8.44	8.45	.....	-
Yen Fd OPUPs	$5.61	5.63	.....	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst.	$13.20	13.94	+0.04	0.89
Japanese Warrants	$7.10	7.52	+0.15	-
Asian Warrants	$10.00	10.65	+0.07	-
European Warrants	$5.21	5.52	+0.04	-
Managed	HK$9.76	10.41	+0.02	-
Private Capital Tst		$29.32	+0.02	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$12.56	13.19	.....	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Sh June 11		$20.48	.....	-
Wells Fargo B Sh June 11		$20.54	.....	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0950	.....	-
Xiphias Int ECU		Ecu1.0659	.....	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. y Designated as Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. a Previous day's price. M Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. 4 Yield column shows annualised rates of NAV increase, ad ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar extends strong advance

THE DOLLAR continued to strengthen yesterday and hit new highs for the year as buying nf the US unit was spurred by hopes of fast American economic recovery.

The dollar begun the sessinn in Europe cautiously after the Bank of Japan had intervened in the cnrrency markets in Tokyo trading hours. There were also suggestions that the Reserve Bank of Australia had sold dollars fnr yen in the Tokyo market, although this was denied.

The central bank intervention combined with a growing belief that the Japanese economy continues to grow strnngly kept the yen firm, despite the strong dollar. The awareness that inflationary pressures have not been subdued has bolstered Japanese money market rates, which has been a further source of support for the yen.

Early in the European sessinn huyers of dollars came into the market. The Bundesbank's decision not to raise rates and the expectation of lower UK rates lifted the US currency. However, it was the release of a batch of US economic data which gave the dnllar its higgest boost and encouraged hopes that the US is pulling out of recession.

Initial US jobless claims fell by 38,000 to 401,000 in the week ended June 1. This continued a trend of falling unemployment and backed up recent positive statements on the economy by political and economic leaders.

Other statistics did not provide such a positive outlook, hut with the market in a bullish mood, these were disregarded. May retail sales rose by less than economists had fnrecast, while prodncer prices continued to rise strongly.

The dollar retreated from its highs after speculation about intervention hy the Bundesbank and the Swiss National Bank spread round the market. The SNB denied it had intervened, and the dollar advanced further.

But in the event the threat of central bank intervention and profit-taking hy US fund managers pushed the dollar off its best levels of the day. Mr Michael Feeny of Sumitomo Bank said: "If the dollar keeps pushing ahead the central banks will have to step into the markets and remind them that the dollar is not just a one-way bet."

The dollar closed at D1.7980 from DM1.7920; at SFr1.5375 from SFr1.5320; at FFr6.0975 from FFr6.0750. Against the strengthening yen, it slipped back to Y141.35 from Y141.90. The dollar's index closed 0.2 higher at 68.2.

Sterling was slightly easier on worries about the government's standing following opinion polls which showed it trailing the oppnsition. The pound was also weakend hy renewed speculation that interest rates may be cut at the end of next week.

Sterling closed lower at DM2.9450 from DM2.9475; at $1.6380 from $1.6455; at SFr2.5175 from SFr2.5200; at Y231.50 from Y233.50; and at FFr9.9875 from FFr9.9975. Sterling's index finished down 0.2 at 90.1.

£ IN NEW YORK

Jun 13	Latest	Previous Close
£ Spot	1.6345-1.6355	1.6445-1.6455
1 month	0.71-0.69pm	0.74-0.73pm
3 months	1.97-1.94pm	2.03-2.01pm
12 months	5.51-5.44pm	5.68-5.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jun 13	Previous
8.30 am	90.2	90.3
9.00 am	90.2	90.3
10.00 am	90.1	90.4
11.00 am	90.0	90.4
Noon	90.0	90.3
1.00 pm	90.0	90.3
2.00 pm	90.1	90.3
3.00 pm	90.0	90.3
4.00 pm	90.1	90.3

CURRENCY MOVEMENTS

Jun 13	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.1	-21.0
U.S Dollar	68.2	-10.4
Canadian Dollar	106.9	+3.7
Austrian Schilling	108.3	+10.9
Belgian Franc	109.6	-3.1
Danish Krone	107.4	+2.3
D-Mark	115.6	+22.6
Swiss Franc	110.5	+19.6
Dutch Guilder	112.3	+14.7
French Franc	101.4	-14.1
Lira	98.1	-20.2
Yen	135.6	+65.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jun 12

CURRENCY RATES

Jun 13	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.797231	0.698861
U.S Dollar	6.00	1.31862	1.14019
Canadian $	9.06	1.50890	1.30484
Austrian Sch	7	16.5170	14.4690
Belgian Franc	10.50	48.1395	42.3097
Danish Krone	9	9.01409	7.91750
D-Mark	6.50	2.34569	2.05577
Dutch Guilder	7.75	2.64489	2.31596
French Franc	10¼	7.96710	6.97000
Italian Lira	11½	1745.76	1528.43
Japanese Yen	6	186.189	161.736
Norway Krone	8	9.13144	8.02239
Spanish Peseta	-	145.522	127.355
Swedish Krona	10.00	N/A	7.39301
Swiss Franc	6.00	2.00628	1.75818
Greek Drach	19	N/A	223.979
Irish Punt	-	N/A	0.768220

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jun 12

OTHER CURRENCIES

Jun 13	£	$
Argentina	16157.0 - 16173.0	9900.00 - 9910.00
Australia	2.1670 - 2.1690	1.3270 - 1.3280
Brazil	477.200 - 478.000	292.400 - 292.700
Finland	6.9500 - 6.9710	4.2570 - 4.2600
Greece	317.400 - 323.750	193.050 - 196.950
Hong Kong	12.5815 - 12.5975	7.7300 - 7.7330
Iran	119.10*	68.00*
Korea(Sth)	1182.00 - 1201.05	722.10 - 727.90
Kuwait	0.4835 - 0.4845	0.2935 - 0.2945
Luxembourg	60.70 - 60.80	37.05 - 37.15
Malaysia	4.5485 - 4.5530	2.7930 - 2.7960
Mexico	4920.50 - 4925.15	3015.00 - 3016.00
N.Zealand	2.8610 - 2.8660	1.7490 - 1.7520
Saudi Ar	6.1315 - 6.1930	3.7490 - 3.7510
Singapore	2.9170 - 2.9240	1.7880 - 1.7900
S.Af (Cm)	4.6990 - 4.7100	2.8830 - 2.8845
S.Af (Fn)	5.4900 - 5.5835	3.3670 - 3.4245
Taiwan	44.40 - 44.50	27.20 - 27.25
U.A.E.	6.0030 - 6.0650	3.6720 - 3.6740

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.356	-4.70	6.07	82
Italian Lira	1538.24	1528.43	-0.64	1.74	39
Belgian Franc	42.4032	42.3097	-0.22	1.31	18
Dutch Guilder	2.31643	2.31596	-0.02	1.11	8
D-Mark	2.05586	2.05577	0.00	1.09	10
Irish Punt	0.767417	0.768220	0.10	0.95	2
Sterling	0.696904	0.698861	0.28	0.80	-6
Danish Krone	7.84195	7.91750	0.96	0.12	-37
French Franc	6.89509	6.97000	1.09	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6300 - 1.6450	1.6375 - 1.6385	0.70-0.68cpm	5.05	1.39-1.36pm	3.36
Canada	1.8650 - 1.8825	1.8715 - 1.8725	0.45-0.40cpm	2.72	0.84-0.77pm	1.72
Netherlands	3.3100 - 3.3250	3.3125 - 3.3225	⅝-½cpm	2.26	1¾-1⅝pm	2.03
Belgium	60.35 - 60.85	60.70 - 60.80	14-10cpm	2.37	34-30pm	2.11
Denmark	11.2625 - 11.3575	11.3350 - 11.3450	2⅛-1⅞orepm	2.05	5⅛-4⅝pm	1.76
Ireland	1.0990 - 1.1010	1.0990 - 1.1000	0.06-0.11pdis	-0.93	0.20-0.30dis	-0.91
Germany	2.9375 - 2.9475	2.9425 - 2.9475	⅝-½pfpm	2.55	1⅝-1½pm	2.12
Portugal	258.75 - 261.05	260.60 - 261.00	11-23cdis	-0.78	44-113dis	-1.21
Spain	181.75 - 182.95	182.20 - 182.50	6-13cdis	-0.63	30-41dis	-0.78
Italy	2182.50 - 2193.50	2189.00 - 2190.00	1dis-1lirepm	-	1-2pm	0.27
Norway	11.4050 - 11.5150	11.4975 - 11.5075	1½-1orepm	1.30	3½-2⅝pm	1.04
France	9.9600 - 10.0025	9.9825 - 9.9925	1⅝-1⅛cpm	1.50	3⅝-3⅛pm	1.38
Sweden	10.5125 - 10.6200	10.5975 - 10.6075	1½-⅛orepm	0.99	2⅞-1⅝pm	0.75
Japan	231.00 - 232.75	231.00 - 232.00	⅞-⅝ypm	3.56	2-1⅞pm	3.24
Austria	20.65 - 20.78	20.71 - 20.74	4¾-3⅝gropm	2.42	11-9pm	1.93
Switzerland	2.5100 - 2.5225	2.5125 - 2.5225	⅝-½cpm	3.28	2-1⅞pm	2.98
Ecu	1.4250 - 1.4350	1.4315 - 1.4325	0.16-0.10cpm	1.09	0.40-0.31pm	0.99

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.39-3.34cpm 12 Month 5.47-5.37cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6300 - 1.6450	1.6375 - 1.6385	0.70-0.68cpm	5.05	1.39-1.36pm	3.36
Ireland†	1.4815 - 1.4955	1.4865 - 1.4875	0.53-0.48cpm	4.08	1.43-1.33pm	3.71
Canada	1.1430 - 1.1460	1.1440 - 1.1450	0.23-0.26cdis	-2.57	0.65-0.70dis	-2.36
Netherlands	2.0150 - 2.0370	2.0245 - 2.0255	0.51-0.54cdis	-3.11	1.51-1.56dis	-3.03
Belgium	36.80 - 37.20	37.05 - 37.15	8.00-10.00cdis	-2.91	24.00-30.00dis	-2.91
Denmark	6.8900 - 6.9500	6.9200 - 6.9250	1.65-2.00oredis	-3.16	5.05-5.75dis	-3.12
Germany	1.7880 - 1.8090	1.7975 - 1.7985	0.42-0.43pfdis	-2.84	1.26-1.28dis	-2.83
Portugal	158.55 - 159.40	159.15 - 159.25	80-90cdis	-6.41	215-240dis	-5.72
Spain	110.75 - 112.00	111.50 - 111.60	53-56cdis	-5.86	154-162dis	-5.67
Italy	1329.25 - 1343.75	1336.50 - 1337.00	5.40-5.90liredis	-5.07	16.20-17.20dis	-5.00
Norway	6.9800 - 7.0675	7.0200 - 7.0250	2.05-2.35oredis	-3.76	6.40-6.70dis	-3.73
France	6.0650 - 6.1325	6.0950 - 6.1000	1.96-1.92cpm	3.82	5.40-5.50dis	-3.58
Sweden	6.4325 - 6.5075	6.4700 - 6.4750	2.05-2.30oredis	-4.03	6.60-7.15dis	-4.25
Japan	141.20 - 142.00	141.30 - 141.40	0.19-0.21ydis	-1.70	0.51-0.54dis	-1.49
Austria	12.5870 - 12.6950	12.6800 - 12.6850	2.70-3.10grodis	-2.74	8.90-10.10dis	-3.00
Switzerland	1.5275 - 1.5475	1.5370 - 1.5380	0.23-0.26cdis	-1.91	0.69-0.72dis	-1.83
Ecu	1.1390 - 1.1505	1.1425 - 1.1435	0.39-0.37cpm	3.99	1.10-1.06pm	3.78

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jun 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞ - 11⅝	11⅝ - 11⅜	11½ - 11⅜	11 5/16 - 11¼	10 15/16 - 10 13/16	10 13/16 - 10 11/16
US Dollar	5⅞ - 5¾	6⅛ - 5 15/16	6⅛ - 6	6¼ - 6⅛	6½ - 6⅜	7 - 6⅞
Can. Dollar	8⅝ - 8⅜	8⅝ - 8⅜	8⅝ - 8⅜	8⅝ - 8⅜	8⅝ - 8½	9⅛ - 9
Dutch Guilder	9⅛ - 9	9⅛ - 9	9⅛ - 9	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛
Swiss Franc	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8	7 13/16 - 7 11/16
D-Mark	8⅝ - 8½	8⅝ - 8½	8 13/16 - 8 11/16	9⅛ - 9	9⅛ - 9	9¼ - 9⅛
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	11½ - 10½	11⅝ - 10⅝	11⅝ - 10⅝	11⅛ - 11	11 3/16 - 11 1/16
Belgian Franc	9 - 8⅞	9 - 8⅞	9⅛ - 8 15/16	9⅛ - 9	9⅛ - 9	9⅛ - 9
Yen	8 - 7⅞	8 - 7 15/16	7 13/16 - 7⅝	7 13/16 - 7⅝	7¾ - 7⅝	7⅝ - 7½
Danish Krone	9⅛ - 9	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9½ - 9⅜	9⅜ - 9¼
Asian $Sing	6 - 5⅞	6 - 5⅞	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6 3/16 - 6 1/16	6 5/16 - 6 3/16

Long term Eurodollars: two years 7⅞-7⅝ per cent; three years 8⅛-8 per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.638	2.945	231.5	9.987	2.517	3.317	2189	1.872	60.75	1.432
$	0.611	1	1.798	141.3	6.097	1.537	2.025	1336	1.143	37.09	0.874
DM	0.340	0.556	1	78.61	3.391	0.855	1.126	743.3	0.636	20.63	0.486
YEN	4.320	7.076	12.72	1000.	43.14	10.87	14.33	9456	8.086	262.4	6.186
F Fr.	1.001	1.640	2.949	231.8	10.	2.520	3.321	2192	1.874	60.83	1.434
S Fr.	0.397	0.651	1.170	91.97	3.968	1	1.318	869.7	0.744	24.14	0.569
H Fl.	0.301	0.494	0.888	69.79	3.011	0.759	1	659.9	0.564	18.31	0.432
Lira	0.457	0.748	1.345	105.8	4.562	1.150	1.515	1000.	0.855	27.75	0.654
C $	0.534	0.875	1.573	123.7	5.335	1.345	1.772	1169	1	32.45	0.765
B Fr.	1.646	2.696	4.848	381.1	16.44	4.143	5.460	3603	3.081	100.	2.357
ECU	0.698	1.144	2.057	161.7	6.974	1.758	2.316	1529	1.307	42.42	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100%

[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
103	-	-	-	0.26	-	-
104	-	-	-	0.50	0.97	-
105	1.03	1.32	-	0.88	1.38	-
106	0.58	0.92	-	1.43	-	-
107	0.30	0.62	-	2.11	-	-
108	0.13	0.36	-	-	-	-
Open Int	101,092	20,458	1,800	94,184	19,028	9,600

Estimated volume 46,976 Total Open Interest 244,162

Estimated volume 849 (1191)
Previous day's open int. 5377 (5168)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	2514.0	2532.0	2509.0	2524.0
Sep	2559.0	2576.0	2556.0	2571.0
Dec	2598.0			2610.0

Estimated volume 9562 (9214)
Previous day's open int. 33656 (32779)

EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Jun	91.88	91.89	91.82	91.87
Sep	92.13	92.17	92.08	92.12
Dec	92.44	92.44	92.39	92.40
Mar	92.74	92.75	92.70	92.68

Estimated volume 2263 (1823)
Previous day's open int. 16344 (15774)

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6380	1.6311	1.6186	1.6044	1.5838

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6360	1.6394	1.6260	1.6442
Sep	1.6164	1.6200	1.6070	1.6244
Dec	1.6018	1.6030	1.5910	1.6098

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm. Bk. of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
Bank Credit & Comm	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williamson Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates steady

UK MONEY market rates were steady yesterday as dealers became increasingly convinced that there will be no immediate change in interest rates.

The Bank of England's signal earlier in the week that it wanted rates to remain stable for the immediate future has left rates trapped in a narrow range. There was a slightly firmer touch at the longer end yesterday, while prices rose in the futures market. Three-months money was unchanged at 11 1/16-11 per cent, while twelve months was np slightly at 10 13/16-¾.

The release of the latest UK labour market data led to some optimism over the possibility of an interest rate cut before the end of the month.

Underlying average earnings in April rose by 8.75 per cent, compared with expectations of 9.0 per cent, which was also the rate of increase in March. The easing in wage increases follows factory gete price figures earlier in the week which also suggested a lessening ln inflationary pressures.

A smaller-than-expected 70,600 increase in May unemployment, compared with a rise of 82,600 in April, was also welcomed, although few analysts believe it is any sign of an end to the recession.

The hrief flurry following the release of the labour market data was short-lived, and the market turned quiet as dealers waited for the outcome of the Bundesbank cnuncil meeting and the May UK inflation numbers.

The market expects a figure of 5.9 per cent in the year through May, compared with 6.4 in April, and such a fall in the inflation level could provide the UK government with some justification for easing monetary policy nn economic grounds.

The money market has been concerned that a cut in rates which appeared to he a response to the government's poor standing in the opinion polls could undermine sterling's position in the Exchange Rate Mechanism.

The Bank of England, in its dealing yesterday with the market, provided much of its liquidity needs. A total of £729m was injected by way of Treasury bill purchases, compared with a forecast shortage of £850m.

In Frankfurt call money rates eased before the Bundesbank council meeting but racovered after the German central bank said it had left monetary pollcy unchanged.

UK clearing bank base lending rate
11.5 per cent
from May 24, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jun 13) 3 months US dollars		6 months US Dollars	
bid 6⅜	offer 6½	bid 6½	offer 6⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	8½	One month	5.29	Three year	7.48
Broker loan rate	7¾	Two month	5.74	Four year	7.66
Fed.funds	5⅝	Three month	5.72	Five year	8.00
Fed funds at intervention	-	Six month	6.06	Seven year	8.27
		One year	6.37	10-year	8.38
		Two year	7.06	30-year	8.57

Jun 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.75-8.90	8.80-8.95	8.85-9.00	8.95-9.10	9.00
Paris	9 13/16-10 1/16	9⅞-9¾	9 15/16-9 13/16	9 15/16-9 13/16	9⅞-9¾	9.25
Zurich	7⅞-7⅝	7¾-8⅛	-	7⅞-8⅛	-	-
Amsterdam	9.00-9.12	9.08-9.14	-	9.12-9.20	-	-
Tokyo	8⅛-8¼	7 13/16-7 15/16	-	7 13/16-7¾	-	-
Milan	10⅝-10¾	11⅝-11½	-	11½-11⅝	-	-
Brussels	8¾-9	8 13/16-9⅛	-	9⅛-9⅜	-	-
Dublin	10¼-10⅜	10¼-10⅜	10¼-10⅜	10¼-10⅜	10 3/16-10 5/16	-

LONDON MONEY RATES

Jun 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12¼	11⅝	11½	11⅛	11	10⅞
Interbank Bid	11¾	11½	11⅜	11	10⅞	10¾
Sterling CDs	-	-	11 7/16	11 1/16	10 15/16	10¾
Local Authority Deps	11⅝	11⅝	11⅝	11¼	10 15/16	10¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11 13/16	11 3/16	11¼	10⅞	-	-
Company Deposits	-	-	11½	11⅛	10 15/16	10¾
Finance House Deposits	-	-	11⅝	11⅛	10⅞	10¾
Treasury Bills (Buy)	-	-	11⅛	10 15/16	10¾	-
Bank Bills (Buy)	-	-	11 3/32	10 31/32	10¾	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	6.12	6.18	6.42	6.92
SDR Linked Dep Offer	-	-	7 11/16	7¾	7¾	7 15/16
SDR Linked Dep. Bid	-	-	7 9/16	7⅝	7⅝	7 13/16
ECU Linked Dep. Offer	-	-	10 1/16	10	10	9 15/16
ECU Linked Dep. Bid	-	-	9 15/16	9⅞	9⅞	9 13/16

Treasury Bills (sell): one-month 11 1/16 per cent; three months 10⅝ per cent; six months 10⅝ per cent; Bank Bills (sell): one-month 11 1/32 per cent; three months 10 27/32 per cent; Treasury Bills: Average tender rate of discount 10.7193 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31 1991. Agreed rates for period June 26 1991 to July 25 1991, Scheme I: 12.73 p.c. Schemes II & III: 12.97 p.c. Reference rate for period May 1, 1991 to May 31, 1991, Scheme IV&V: 11.597 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from June 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 10½ per cent; three-six months 10 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 8 per cent from May 28, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

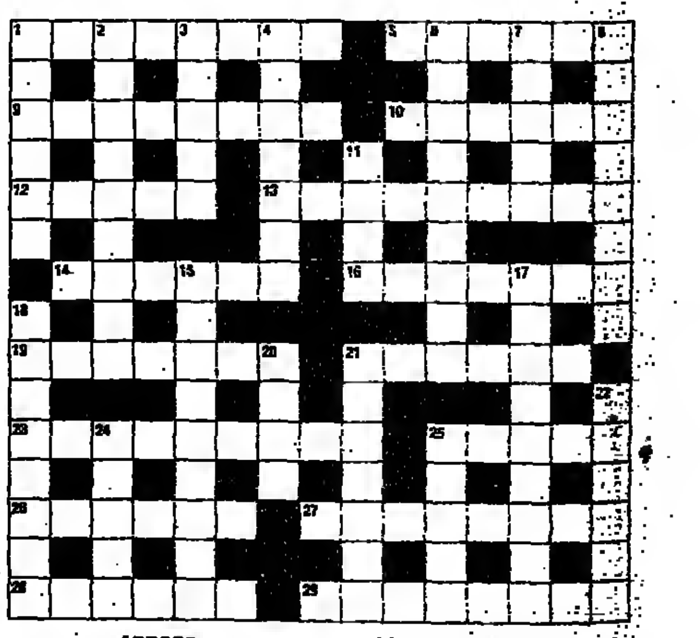
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,568 Set by VIXEN



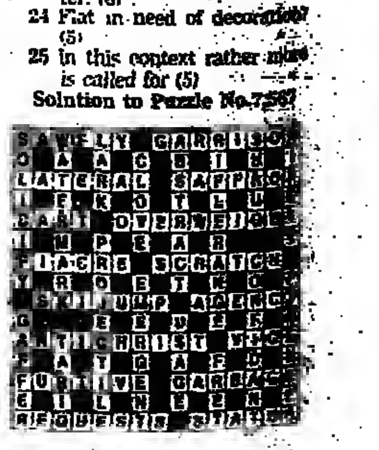
ACROSS

1 Discuss and OK travel arrangements (4,4)
5 Weaken and look after a naughty child (6)
9 The subject matter gives satisfactinn (8)
10 Contemptible cheat turning over promises of repayment (6)
12 The yarn left lies in a tangle (5)
13 Will tempt guys into a casual shirt (9)
14 Model socialist leader getting together with liberal (6)
16 Divers cut a novice (7)
19 The woman a revolutionary fleeced (7)
21 Refinement of language (6)
23 Getting umpires tn compound fraud (9)
25 Oriental queen – nne the Orient finds weird (5)
26 Thanks an artist twice over for the mount (5)
27 Check hamper (8)
28 He'll have a home hy the end of September (6)
29 The foreigner a good man phoned with some hesitation (8)

DOWN

1 Set about forming an outfit (6)
2 It takes money and a little science to copy a work of art (9)
3 Flower having a neat look (2-3)
4 Accord the right style (7)
6 Made a live hroadcast in years gone by (9)
7 A sound way to make amends (5)
8 Concerned with an animal sanctnary the French put new occupants in (8)
11 A once-respected figure is repeatedly put down (4)
15 Capital fellows – in pairs as required (9)
17 Holding back with military personnel helping (9)
18 22 is for a lawless individual (8)
20 Beat a large number – and that (4)
21 Make a donation here and now (7)
22 The landlord's a real character! (6)
24 Flat in need of decoration (5)
25 In this context rather more is called for (5)

Solntion to Puzzle No.7,567



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices June 13

INDICES

NEW YORK

DOW JONES	June 12	June 11	June 10	June 7	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2961.99	2985.91	2975.40	2976.74	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	93.87	94.28	94.25	94.34	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1211.57	1227.61	1223.91	1227.43	1247.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.99	209.32	208.75	209.26	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2987.25 (3012.08) Low 2928.89 (2963.38)

STANDARD AND POOR'S	June 12	June 11	June 10	June 7	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	376.65	381.05	378.57	379.44	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	448.76	453.91	450.69	451.79	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.23	30.73	30.64	30.84	31.98 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	206.58	208.05	207.74	208.19	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	366.71	369.80	369.77	369.98	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	491.05	496.62	495.85	498.54	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 7	May 31	May 10	year ago (approx.)
Dow Industrial Div. Yield	3.05	2.99	3.14	3.71

	June 5	May 29	May 22	year ago (approx.)
S & P Industrial div. yield	2.73	2.74	2.79	2.89
S & P Ind. P/E ratio	19.34	19.24	18.89	16.75

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Pepsico	3,265,300	30¼	- ¼
Saatchi Co	2,636,300	¾	- 1/16
IBM	1,879,700	101½	- ⅛
RJ Nabisco	1,819,600	10⅛	- ⅛
Phillip Morris	2,606,100	65⅞	- ⅝
Am Express	1,537,700	23⅝	- ⅞
Am T & T	1,443,100	36⅞	- ¼
Compaq Com	1,369,700	34⅜	- ⅝
ADV Micro	1,340,300	12⅞	- ⅞
Oxy Pete	1,328,800	22⅞	- ¼

TRADING ACTIVITY

† Volume Millions	June 12	June 11	June 10
New York	167.594	161.610	127.423
Amex	11.957	10.172	9.786
NASDAQ	156.910	140.315	113.815
Issues Traded	2,059	2,048	2,042
Rises	357	873	647
Falls	1,247	684	912
Unchanged	455	491	483
New Highs	25	40	33
New Lows	21	14	13

CANADA

TORONTO	Jun 12	Jun 11	Jun 10	Jun 7	1991 HIGH	1991 LOW
Metals & Minerals	3180.46	3173.00	3172.59	3209.40	3284.18 (5/3)	2632.06 (9/1)
Composite	3558.12	3572.25	3569.28	3582.07	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1887.57	1894.55	1894.17	1903.86	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday June 8: Taiwan Weighted Price: 5914.21 Korea Comp Ex. 605.60.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u)

TOKYO - Most Active Stocks

Thursday 13 June 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.1m	423	-4	Toshiba	4.2m	708	+10
Akai Electric	6.0m	1,240	+50	Hitachi Zosen	4.0m	686	+18
Cosmo Oil	5.0m	863	+15	Citizen Watch	3.9m	1,070	+40
Casio Computer	4.7m	1,490	+00	Hitachi	3.0m	1,140	+18
M'bishi Heavy	4.5m	721	+1	Tokio M & Fire	2.8m	1,230	-30

Price data supplied by Telekurs.

3:15 pm prices June 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	13	447	15⅛	14¾	14⅞	
18¾	14½	A L Labs A x	0.16	0.01	18	51	18½	18⅜	18⅜	-⅛
55½	40⅞	AMP Inc	1.44	0.02	10	1882	52½	51⅜	51⅜	-1⅛
66⅝	44⅛	AMR			10	1845	65⅛	64½	64⅞	-⅜
2⅜	1¼	ARX			1	2	1¼	1⅜	1⅜	
51⅛	41½	ASA	3.50	0.07	14	603	49⅞	49⅜	49⅞	-½
54	39⅛	Abbott Lab	1.06	0.02	21	4605	51⅛	50⅜	50½	-⅛
14½	9⅞	Abitibi Pr	0.50	0.04	27	10	14	14	14⅛	+⅛
11⅝	10⅜	ACM Gvt In x	1.26	0.11		542	11⅜	11¼	11⅜	
9⅛	8⅜	ACM GvOpp x	1.01	0.11		106	9¼	9⅛	9¼	
9⅛	8½	ACM Gvt Sp x	1.01	0.11		272	9⅛	9	9	-⅛
11	9⅞	ACM Gvt Se	1.26	0.12		1026	10⅞	10¾	10⅞	
8⅛	7⅛	ACM Man x	1.01	0.12		157	8⅛	8⅛	8⅛	
12⅞	11½	ACM Mgmt x	1.31	0.12		605	11⅞	11¾	11⅞	+⅛
11½	4¼	Acme Cleve	0.40	0.06	16	12	1⅛	7	7	-⅛
8	3½	Acme Elect			47	39	4⅞	4⅝	4¾	-⅛
40	22¾	Acuson			24	930	30⅜	31⅛	32	-⅛
18½	14⅛	Adams Expr	0.73	0.04	0	90	17⅞	17⅛	17⅞	+⅛
20⅛	16⅞	Adobe12M	2.40	0.12		6	19¾	19⅛	19⅝	-⅛
9½	7	Adobe Res			23	14	7⅞	7⅞	7⅞	
36⅛	18	Ad Micro				933	36	35⅛	35⅞	-⅛
14¼	4⅝	Ad Micro P	3.00	0.24	14	5038	12⅞	12⅞	12⅝	
5⅛	2¼	Advest Grp	0.16	0.04	5	42	4½	2⅛	4⅛	
49⅛	33⅞	Aetna Lf	2.76	0.07	7	2376	40⅜	40⅜	40⅛	-⅛
10⅝	6⅛	Affil A	0.24	0.03	26	328	8⅞	8⅞	8⅞	
20⅞	12	Ahmanson	0.60	0.00	11	373	19⅝	19	19½	+⅛
9⅝	2⅞	Aileen Inc			11	101	9	8⅛	8⅞	+⅛
72½	51⅛	Air Pr Chm			16	549	69¾	68⅛	69⅞	+⅛
28⅝	16⅝	Airbne Frt	0.30	0.01	15	00	25⅞	25⅜	25½	-⅛
[illegible]										

Continued on next page

مكتبة من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
25⅝	14⅞	Rohr Inds			16	830	24⅞	23⅝	24⅞	+½
12⅝	6½	RollinsEnv	0.08	0.01	19	1792	9¼	8⅞	9⅛	
25	18⅝	RollinsInc	0.56	0.02	19	27	23½	23⅛	23½	+⅛
18⅝	7⅛	RollinsTrL	0.20	0.02	12	202	12⅝	12⅛	12⅝	
11⅝	8¼	Rowan Cos			146	836	8⅞	8⅝	8⅝	−⅛
25	22¼	RoyBkScot x	2.81	0.12		65	24⅛	23¾	23⅞	−⅛
84⅜	73⅛	RylDutch	4.23	0.05	10	3157	79⅛	78⅝	79	+⅛
11	7½	Royce Val				238	10⅛	10	10	−⅛
54	37	Rubbermaid	0.80	0.01	36	629	49⅞	49⅛	49¾	+⅛
17½	13¾	RussBerrie	0.60	0.04	11	79	14⅛	14	14⅛	
7⅛	4	Russ Togs			1	11	5½	5⅛	5½	
26⅞	18¾	Russell Cp	0.32	0.01	17	211	25⅛	25⅝	25⅝	+⅛
21⅛	14	Ryder Syst	0.60	0.03	25	491	21	20⅝	20¾	+¼
25¼	18¾	Ryland Grp	0.06	0.03	32	45	21¼	21¼	21¼	−¼

- S -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
28½	20¾	S Atlta Rt	2.06	0.08	17	53	24⅞	24½	24¾	
18¼	11½	SCOR US Cp 4	0.24	0.02	6	8	13⅜	13⅛	13⅛	−⅛
[illegible]										

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
9⅞	4⅛	Systems Co			3	63	[illegible]			

- T -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
9¼	4½	TCBY Enter	0.40	0.08	10	2424	[illegible]			
16⅞	7	TCF Financ	0.40	0.03	5	121	[illegible]			
8⅞	8⅜	TCW Conv S	0.84	0.10		221	[illegible]			
43⅛	20⅞	TDK Corp A	0.31	0.01	32	5	[illegible]			
9⅛	6⅝	T I S Mtge	1.28	0.14	6	204	[illegible]			
19⅞	9⅝	TJX Cos	0.46	0.03	13	705	[illegible]			
21	18⅝	TNP Enterp	1.63	0.20	13	83	[illegible]			
49⅞	34½	TRW Inc	1.80	0.54	18	241	[illegible]			
1½	⅞	TacomaBoat			6	10	[illegible]			
24⅝	18⅛	Taiwan Fd				54	[illegible]			
8¼	4½	Talleyind	0.20	0.04	6	37	[illegible]			
11⅝	7	Talley Pf				16	[illegible]			
50½	38⅞	Tambrands x	1.20	0.02	22	616	[illegible]			
16⅝	8⅛	Tandem				18225	[illegible]			
38⅝	30	Tandy Corp	0.08	0.05	16	782	[illegible]			
12	10⅞	Taurel Mun x	0.85	0.07		35	[illegible]			
35¾	31½	Teco Energ	1.72	0.05	14	384	[illegible]			
[illegible]										

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote Close	Ch'ge Prev. Close
80⅛	38¼	Xerox x	0.03	0.05		92003	54⅝	54⅛	54⅛	+⅛
81	43¾	Xerox4.125 x				3	48½	48½	48½	
21¼	14⅛	Xtra 1.94				58	20¼	30	30¼	−½
24⅞	14¼	Xtra Corp	0.72	0.03	28	59	22⅞	22¾	22¾	−¼
24¼	21¾	Yankee Egy x	1.60	0.07	12	59	28½	28	23½	+½
1½	⅞	Zapata			0	60	1	1	1	+⅛
8⅜	6⅛	ZenithElec			2	73	7⅛	7¼	7⅜	+⅛
18½	12	Zenith Nat	1.00	0.05	73	8	17⅛	17⅛	17⅝	−⅛
6¼	4⅛	Zenix Inc	0.99	0.16		16	8	6	6	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	14	138	13⅞	13½	13¾	−⅛
41⅛	28½	Zurn Ind x	0.88	0.20	14	86	38⅛	38¾	36⅛	+⅛
13½	10¼	Zweig Fund	1.12	0.02		103	12⅝	12½	12⅝	+⅛
10	8½	Zweig Total x	0.86	0.10		313	9⅞	9⅞	9⅞	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Pall Corp	0.44	27	694	35⅞	00	65¼	−½
Pegasus G		6	1718	16¼	13	12¼	+⅛
Pentol		9	9	13⅜	10	16	−¼
Pet Hi&P	0.31	12	7	10½	10½	10½	
Phil LD x	0.17	9	204	21¼	00⅞	21⅛	
Pitwy A x	1.10	11	10	25⅞	25¾	25⅛	
Ply Gem	0.12	00	100	8⅛	8⅝	8¼	+⅛
PresidioA	0.16	8	36	4⅛	4½	4⅛	+⅛
[illegible]							

NASDAQ NATIONAL MARKET

3:15 pm prices June 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow continues to weaken in tandem with bonds

Wall Street

SHARE PRICES fluctuated in a narrow range on either side of their opening levels yesterday morning, as the market struggled to decide how to respond to a series of economic data which pointed to an economic recovery, *writes Patrick Harverson in New York.*

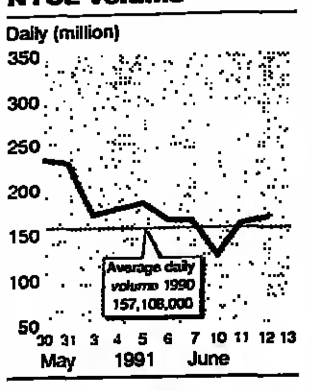
By 1.30 pm the Dow Jones Industrial Average was 1.35 lower at 2960.64, having traded no more than a few points up or down all morning. The Standard & Poor's moved in step with the Dow, standing down 0.11 at 376.54 at 1 pm, while the Nasdaq composite of over-the-counter stocks eased 1.00 to 490.05. Turnover on the New York SE was ligbt at 83m shares by 1 pm.

The market opened weaker after bond prices fell in response to a variety of economic news. Figures for May showed that producer prices had risen by 0.8 per cent, including a 0.4 per cent rise in core prices (excluding the volatile energy and food components), and that retail sales in tbe month jumped by 1 per cent. The increases were all larger than expected and, combined with another sizeable fall in jobless claims in tbe week to June 1, were taken by analysts as evidence that an economic recovery is under way.

While this wonld normally be good for equities, the stock market shared the bond market's concern about inflation and rising long-term Treasury rates. These worries prevented stocks from rising on the good economic news.

Among individual stocks, Time Warner was again in the limelight, easing $⅝ to $94¼ in lively trading after the Securities and Exchange Commission announced that it planned to review the entertainment group's controversial $3bn rigbts offer. Tbs shares bad fallen sharply on news of the offer. Since then, there has been uncertainty about wbether the issne would go ahead in its present form, and some shareholders have called for a probe into trading in Time Warner stock.

NYSE volume



Boeing held up against the weaker trend, standing unchanged at $48 on volume of almost ½m sbares after the company received $2.74bn worth of new orders for a range of its commercial aircraft from three airlines and an Irish leasing group.

Texas Utilities, a power generating company, slipped $⅝ to $35 after state regulators recommended an 8.2 per cent increase in energy charges, as opposed to the 10.2 per cent rise the company had wanted. Also in the energy sector, Mesa Limited Partnership fell $¼ to $3 after the oil and gas company retired all of its $916m bank debts and closed $616.6m of private financing with institutional investors.

Cincinatti Bell dropped $2⅝ to $19¾ after the company warned that it would record a small loss for the second quarter, compared with the profit of 38 cents a share reported at the same stage in 1990.

Canada

A FURTHER fall in Toronto in slow midday trading left the composite index down 9.7 at 3,448.4. Declines led advances by 195 to 181 on volume of 10.4m shares.

Among active shares, Encor was flat at C$1.20, Varity Corp rose 3 cents to C$2.98, Canadian Pacific eased C$¼ to C$19¾ and Ranger Oil was unchanged at C$8¾.

IAF Biochem slumped C$1¼ to C$23. The loss-making company said on Wednesday that it would report a loss for the first quarter ended April 30 as it continued to absorb losses from its US vaccine affiliate.

Sentiment sways South African gold shares

Philip Gawith explains the strong rally in the sector in the last few weeks of trading

THE Johannesburg gold market remains a defiant outpost of the guts and gambling school of investment. Its movements have everything to do with sentiment, and little to do with facts.

Recent months have seen an endless litany of doom and gloom stories about the local gold industry.

The agonies of producers, however, have been offset, at least partially, hy the pleasure of watching their share prices perform.

Since hitting a low of 970 in February, the Johannesburg Stock Exchange all-gold index has risen by 45 per cent to a high earlier this week of 1,416. It closed at 1,368 yesterday.

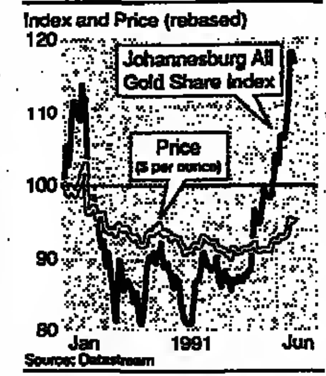
As usnal, the speculative nature of the gold index is reflected in the way it has far outstripped any movement in the gold price. In February the rand gold price reached a low of abont R910/oz ($316/oz). It rose 17 per cent to a high this week of R1,064/oz, before falling back slightly.

An explanation of this precipitate rise should start with the wry adage: "Three months after everybody has given up hope is the end of a bear market." Analysts are careful not to say that a bull market has begun, but there has certainly been a strong bull phase. This, says one analyst, reflects nothing more than the fact that people feel more comfortable abont gold and its prospects than they did a few months ago.

Why should this be so? There are certain fundamentals which give cause for optimism about gold. On the supply side, there is a widely held perception that there will be a fall-off in production. South African production is already falling, and Australian and US production is also expected to decline.

On the demand side, jewellery has remained exceptionally strong throughout the recession, especially in Japan. The feeling is that, when the recession bottoms out, demand could be further boosted by buying pressure from the US.

Gold



But as Mr John Clemmow, mining analyst at brokers George Huysamer points out, these factors have been known for some time. They cannot explain a short-term move in ths market. He believes that the explanation lies much more in a "gut type of feeling".

Until as recently as two months ago, the South African market, along with the rest of the world, believed that gold would keep on falling, perhaps even below $300/oz. When the price showed firm support at $360, with strong jswellery demand, this acted as a psychological turnaround.

Mr Clemmow also believes that tschnical analysts, or chartists, succeeded in pulling the market along by predicting a major bull run. Further confidence was gained from the fact that various negative factors – the slump in the platinum price, the strong performance of the dollar and the threat of forward sales – failed to push the gold price down.

A final important factor is institutional buying. Two factors were at play here: the lemming theory, whereby institutions, many of which had light gold holdings, bought for fear of missing an upswing in the market; and a perception of greater relative value.

Although gold shares are discounting a rand gold price of about R1,150/oz, and are on a historically low dividend yield of about 3.5 per cent, they do provide a hedging option against a fully valued industrial index – up 26 per cent since February. The index hit a record high of 3,724 yesterday.

Most analysts believe the index has moved too far and are expecting a correction. There is a broad consensus that at levels of about $375/oz there will be heavy forward selling from local prodncers which will cap the price. As for the shares, Clemmow views current levels as madness. "The market is for trading, not for investing. There is no fundamental value in it."

EUROPE

British Airways data put focus on airlines

AIRLINE stocks featured again yesterday, *writes Our Markets Staff*, following figures this week from British Airways, which showed that its passenger load factor was only 2.9 percentage points below May last year, continuing the steady recovery which began after the Gulf war.

Mr Mark Simpson of UBS Phillips and Drew, who recommended the sector for its recovery potential at the beginning of this year, said that investors were looking ahead to 1992 and 1993, when the effects of current cost-cutting programmes and increassd productivity should feed through the bottom line.

Lufthansa was yesterday's beneficiary, rising DM5.50 to DM135 in uncommonly active turnover of DM45m. Swissair, strong for the previous two days, fell SFr5 to SFr800. KLM, the Dutch national carrier, was up 10 cents at Fl 28.90 (but 48 per cent better since January 1). KLM passed the 1990 divldend yesterday and reported a net loss Fl 630m for the 1990/91 year, in lins with expectations.

PARIS recovered from early weaknss5 to close almost unchanged, as bond prices rebounded. The CAC 40 index ended 1.87 down at 1,847.24, after hitting a day's low of 1,834.10. Turnover was believed to be less than Wednesday's moderate FFr2.2bn.

Speculators lifted CMB Packaging to a day's high of FFr158.40, before it closed FFr1.80 up at FFr153.80 on beavy volume of 664,287 shares. There were rumours that BTR, the UK industrial group, would make a bid.

Bolloré, the technology company, shed FFr35 or 4 per cent to FFr900. The bourse watchdog said that Bolloré and two allies, which had acquired more than one third of Delmas Vieljeux, had to hid for the rest of the shares in the shipping group. Delmas Vieljeux was suspended at Wednesday's closing price of FFr3,800.

Another of the day's losers was Cetelem, the short-term credit company, which closed FFr32 down at FFr662.

MILAN lost early gains and closed little changed in moderate volume, as a good showing from Fiat and other industrial shares was countered by a weak insurance sector.

Trading was dominated by position-adjusting ahead of the close of the Jnne account today. The Comit index eased 0.57 to 608.23 in volums estimated at less than Wednesday's L226bn, which had been boosted by options trading. Dealers said a heavy 70 per cent of options were exercised.

Fiat officially closed up L195 or 3.1 per cent at L6,455 and reached L6,590 after hours on a combination of short-covering and renewed speculation, firmly denied by the company, of a link with Toyota of Japan.

Olivetti climbed L135 or 3.4 per cent to L4,110 on renewed talk of a possible accord with Stet or Olivetti's former partner, AT&T of the US.

Insurers wsre sold hy foreigners. Generali fell L410 or 1.2 per cent to L35,680.

FRANKFURT followed the trend set in London trading on Wednesday afternoon, the DAX index falling another 8.21 to 1,692.63 after a decline of 1.67 to 706.60 in the FAZ at midsession. Volums weakened, falling from DM6.5bn to DM6bn.

The Bundesbank left official interest rates unchanged yesterday, but the average bond yield rose from 8.48 to 8.51 per cent and bank shares weakened, Bayernhypo losing DM9.50 to DM368.50 and Dresdner DM6.20 to DM379.50.

In chemicals, BASF and Bayer fell, yet Hoechst put on DM3 to DM248.50. Mr Andrew Thomson of Kleinwort Benson noted that Hoechst is the only one of the "Big Three" which has gone ex dividand. This tends to depress German shares, especially those bought for their high yields. Since Hoechst went ex on June 5, even inclnding yesterday's price movements, it is still DM10.20 lower overall, against falls of DM3.80 for Bayer and only 40 pfg for BASF.

ZURICH saw early buying interest eroded by US producer price data and fears of pressure on interest rates. The Crédit Suisse index fell 3.6 to 541.3.

As in Germany, banks ended mostly lower, CS Holding topping the activs list with a SFr40 drop to SFr1,895.

STOCKHOLM was mostly lower with the exception of Astra, which was boosted by news that Losec, its anti-ulcer drug, had gained approval for wider use in the US. The Affärsvärlden General index fell 4.1 to 1,124.6 in volume of SKr476m, np from SKr447m.

Astra free B shares closed SKr11 np at SKr640, but off the day's high of SKr650. Volvo was also firmer, with its free Bs up SKr9 at SKr366, following the launch of its new car model this week.

AMSTERDAM closed little changed in spite of the dollar's strength, the CBS Tendency index rising 0.1 to 95.3 in thin volume.

Ahold, tbe retailer which earns more than half of its revenue in the US, gained 60 cents to Fl 81.20. After the close, it said that its net profit for the first 16 weeks of 1991 rose 12.6 per cent to Fl 76.4m.

MADRID edged lower after a Wednesday inflation figure at the top of expectations. The general index fell 0.29 to 296.07 in modest turnover of about Pta13bn after the previous day's Pta23bn. Utility stocks continued to be active.

Ebro, the sugar manufacturer, more than recouped the Pta45 fall recorded on Wednesday, when a large block trade was executed, rising Pta60 to Pta2,990. Sarrio, the paper and cartonboard maker whicb has a stake in Ebro, rose Pta23 or 2.4 per cent to Pta993.

BRUSSELS was flat in moderate trading, as trading focused on Delhaize, the retailer, which rose BFr230 or 2.9 per cent to BFr8,080. Delhaize, which benefits from tbe strong dollar because of its Food Lion arm in the US, accounted for about a quarter of the total turnover of BFr1bn. The Bel20 eased 0.29 to 1,180.83.

FT-SE Eurotrack 100 - Jun 13

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1152.78	1151.65	1150.55	1151.55	1151.17	1147.66	1148.85	1149.95

Day's High 1153.77 Day's Low 1145.71

June 12	June 11	June 10	June 7	June 6
1152.03	1159.97	1155.46	1156.31	1160.15

Base value 1000 (26/10/90)

ASIA PACIFIC

Late index buying lifts Nikkei just before close

Tokyo

LATE afternoon index buying lifted the Nikkei avsrage by more than 300 points in the last few minutes yesterday, after trading cautiously for most of tbe session, *writes Emiko Terazono in Tokyo.*

Tbe Nikkei average closed up 325.48 at the day's high of 24,808.17. The index lost ground in the morning after the overnight decline on Wall Street and fell to tbe day's low of 24,334.35 by the early afternoon. Volume rose to 270m shares from 260m. Gainers led losers by 642 to 310, witb 182 issues unchanged. The Topix index of all first section stocks added 13.65 to 1,911.05, but in London tbe ISE/Nikkei 50 index fell 2.93 to 1425.93.

Tbe Nikkei average lost ground early on, in tandem with tbe bond market, as options contracts were exercised. The afternoon recovery was prompted by heavy index-linked buying by investment trusts and brokers and by a recovery in the bond market. Traders said that government bonds were sought by a leading US securities firm.

The outstanding casb positions on arbitrage trading as of June 7 fell for the third week in a row, to Y798.4bn. Concerns about position unwinding today, whicb is special qnotation day, had depressed share prices recently. But Mr Masami Okuma of UBS Phillips & Drew said that the nervousness – over tbe special qnotation or tbe settlement price for June futures contracts determined in today's opening stock prices – had declined considerably.

The electrical sector sbowed strong gains, led by highly priced medium-capital stocks. TDK rose Y200 to Y6,020, Sony added Y200 to Y6,350 and Pioneer Electronic Y200 to Y4,050.

Interest rate-sensitive, large-capital issues continued to weaken on receding hopes of credit easing. Nippon Steel, the most active issue of the day, fell Y4 to the year's low of Y423. Tokio Marine & Fire, ths insurer, fell Y30 to Y1,230.

Akai Electric rose Y50 to Y1,240 on strong earnings forecasts, with pre-tax profits for ths current year expected to rise 85 per cent. Kawagishi Bridge Works added Y370 to Y4,200 after the company raised its its pre-tax profit expectations for the current year.

Kyudenko, the electrical engineer, rose Y60 to Y2,660 on tbe company's prospects of record pre-tax profits for the year to March 1992. Nippon Signal, the rail and signal maker, rose Y50 to a record Y1,790 on expected capital investment by Japan Railway.

In Osaka, the OSE average gained 120.17 to 27,609.59 on volume of 30.6m shares. Nintendo, the video game maker, rose Y700 to Y14,400 on small-lot buying by individuals.

Asics Trading, a sboe company, rose Y10 to Y2,070 on its forecasts of a 37 per cent rise in pre-tax profits for the current year. Individual investors and investment trusts sought the issue on improved shoe sales.

Roundup

TRADING WAS quiet in the Pacific Rim, with most markets responding to Wednesday's fall on Wall Street rather than yesterday's rise in Tokyo.

AUSTRALIA was depressed by the fall in New York. The All Ordinaries index lost 6.6 to 1,493.3 on turnover of A$287m, up from A$212m.

Volume was boosted by the sale of a 13.2 per cent stake, worth A$207m, in the Nine Network Australia television company by Australian Consolidated Investments. Nine Network closed steady at 52 cents, while Australian Consolidated rose 1 cent to 65 cents.

HONG KONG lost most of its early 35-point gain, as the Hang Seng index closed 4.65 higher at 3,632.55. Turnover remained light in the run-up to the long weekend, rising to HK$788m from HK$694m.

SINGAPORE eased on profit-taking, with the Straits Times Industrial index down 5.17 st 1,538.67 on volume of 36m shares, up from 35m. KUALA LUMPUR closed higher as Tokyo rebounded. The composite index recovered from a low of 623.29 to end 0.70 higher at 624.68, as volume rose to 42m shares from 41m.

TAIWAN edged higher in exceptionally thin trading, following three days of declines. The weighted index pnt on 21.57 to 5,775.55. Turnover dwindled to T$23.4bn from T$34.4bn, its lowest in four months, ahead of today's public bond anction and Monday's holiday.

SEOUL eased after four days of gains, in spite of continued buying from the stabilisation fund. The composite index slipped 0.91 to 610.05, in slow volume of Won74.7bn.

MANILA fell in light trading, weighed down by liquidity concerns and profit-taking. The composite index shed 8.53 to 1,142.15. Shangrila Property's debut met with a lukewarm reception. The stock closed at 2.75 pesos, unchanged from its offer price, in thin volume of 201,000 shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 12 1991								TUESDAY JUNE 11 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	136.95	+1.3	123.39	122.84	127.59	120.55	+1.2	5.43	135.22	120.62	120.61	124.61	119.12	147.30	112.74	138.43
Austria (20)	194.57	−1.4	175.31	174.53	181.27	180.49	−0.8	1.51	197.38	176.08	176.06	181.90	182.01	222.37	167.00	243.93
Belgium (49)	129.22	−1.1	118.43	115.90	120.39	117.27	+0.0	5.04	130.59	116.50	116.47	120.34	117.23	151.20	121.73	150.30
Canada (115)	141.55	−0.1	127.54	126.96	131.87	117.26	−0.3	3.35	141.73	126.43	126.41	130.60	117.56	142.27	126.49	139.63
Denmark (37)	238.70	−0.2	215.07	214.11	222.39	224.09	+1.0	1.51	239.24	213.41	213.38	220.46	221.83	270.56	217.74	258.40
Finland (16)	108.19	−2.5	87.48	97.05	100.90	95.56	−1.9	2.37	111.01	99.03	99.02	102.30	97.39	125.15	90.61	136.48
France (114)	132.75	−2.1	119.62	118.08	123.68	126.51	−1.1	3.48	135.61	120.97	120.94	124.95	127.95	152.26	121.85	158.34
Germany (85)	110.44	−1.9	99.50	99.07	102.89	102.89	−0.8	2.17	112.55	100.41	100.41	103.73	103.73	125.35	102.43	125.34
Hong Kong (55)	151.60	−0.1	136.60	135.98	141.25	150.45	+0.0	5.15	151.72	135.34	135.32	139.81	150.51	161.77	119.62	131.76
Ireland (18)	148.70	−1.9	133.98	133.38	138.54	140.20	−0.9	3.64	151.64	135.28	135.26	139.74	141.46	182.46	132.88	169.93
Italy (77)	76.48	−0.2	70.71	70.39	73.12	78.01	+0.8	2.97	78.64	70.15	70.14	72.47	77.41	88.23	72.05	107.67
Japan (474)	130.38	−0.6	117.48	116.95	121.49	116.95	−0.1	0.72	131.23	117.06	117.04	120.94	117.04	146.97	118.35	147.81
Malaysia (68)	235.89	+0.0	212.54	211.58	218.76	252.83	+0.2	2.57	235.68	210.39	210.35	217.33	252.29	247.76	192.83	229.93
Mexico (15)	1026.71	−2.6	925.06	920.93	956.54	3385.05	−2.6	1.90	1054.07	940.28	940.14	971.34	3475.25	1079.72	534.45	531.19
Netherland (31)	135.41	−1.5	122.01	121.46	126.15	124.72	−0.5	4.35	137.46	122.62	122.60	126.68	125.29	145.73	125.70	140.23
New Zealand (13)	47.00	−2.0	42.34	42.16	43.79	43.54	−1.6	8.11	47.95	42.77	42.77	44.18	44.26	54.64	41.18	63.99
Norway (32)	193.79	−1.6	174.60	173.83	180.55	183.27	−0.8	1.60	196.89	175.63	175.61	181.44	184.79	223.24	182.24	236.45
Singapore (38)	202.61	+0.1	182.55	181.74	188.75	166.85	+0.5	2.02	202.38	180.53	180.51	186.49	166.10	208.25	151.63	207.20
South Africa (61)	223.53	−0.7	201.40	200.49	208.24	164.18	+0.8	3.34	225.15	200.84	200.81	207.47	162.69	225.15	173.00	160.12
Spain (55)	154.87	−1.3	139.54	138.92	144.28	130.06	+0.0	4.10	156.84	139.91	139.90	144.53	130.11	171.12	131.51	160.54
Sweden (26)	187.19	−0.2	168.66	167.91	174.40	178.53	+1.0	2.48	187.62	167.36	167.34	172.90	176.78	204.12	148.60	214.86
Switzerland (58)	90.49	−2.2	81.53	81.17	84.31	85.94	−1.0	2.23	92.51	82.52	82.52	85.26	86.80	100.67	82.17	103.65
United Kingdom (239)	165.87	−1.8	149.45	148.77	154.52	149.45	−0.8	4.91	168.88	150.65	150.61	155.61	150.65	187.44	156.27	166.11
USA (525)	152.57	−1.1	137.46	136.86	142.15	152.57	−1.1	3.18	154.28	137.63	137.61	142.18	154.28	158.24	125.95	147.56
Europe (837)	135.45	−1.6	122.04	121.49	126.20	124.31	−0.8	3.83	137.72	122.86	122.84	126.92	125.06	151.52	126.50	147.68
Nordic (111)	180.44	−0.5	162.57	161.85	168.11	164.07	+0.7	1.95	181.29	161.72	161.70	167.07	162.87	200.81	155.55	205.71
Pacific Basin (716)	131.11	−0.5	118.13	117.61	122.15	117.91	+0.0	1.09	131.83	117.60	117.58	121.48	117.94	145.92	117.86	148.63
Euro−Pacific (1555)	133.16	−1.0	118.98	119.43	124.05	121.32	−0.3	2.19	134.49	119.97	118.95	123.93	121.68	147.65	121.29	147.56
North America (640)	151.80	−1.1	136.77	136.17	141.45	150.20	−1.1	3.19	153.41	136.85	136.85	141.40	151.81	157.04	125.91	146.98
Europe Ex. UK (598)	116.84	−1.6	105.27	104.82	108.87	109.58	−0.5	3.06	118.68	105.87	105.88	109.39	110.12	129.80	106.85	135.22
Pacific Ex. Japan (244)	138.02	+0.4	124.35	123.82	128.60	124.89	+0.5	4.71	137.42	122.58	122.58	126.64	124.26	145.66	111.40	134.41
World Ex. US (1745)	134.67	−1.0	121.52	120.99	125.66	122.40	−0.3	2.25	136.19	121.48	121.47	125.50	122.72	148.16	122.32	147.84
World Ex. UK (2032)	137.33	−0.9	123.73	123.19	127.96	130.03	−0.5	2.34	138.62	123.66	123.65	127.79	130.73	145.77	120.06	144.68
World Ex. So. Af. (2210)	139.30	−1.0	125.51	124.96	129.79	131.63	−0.6	2.58	140.74	125.55	125.54	129.70	132.40	148.68	122.92	146.37
World Ex. Japan (1797)	146.17	−1.2	131.70	131.12	136.20	139.92	−0.8	3.49	147.94	131.97	131.96	136.35	141.05	152.83	126.69	147.40
The World Index (2271)	139.83	−1.0	125.99	125.43	130.29	131.90	−0.8	2.59	141.27	126.02	126.01	130.18	132.65	149.01	123.28	146.58

Constituent change 13/6/91: Name change: Corona Corp. to International Corona Corp. (Canada). Latest prices were unavailable for this edition.

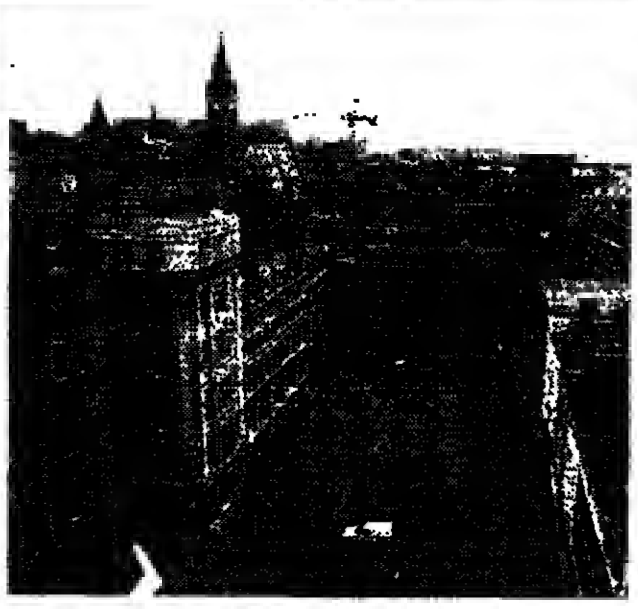
FINANCIAL TIMES SURVEY

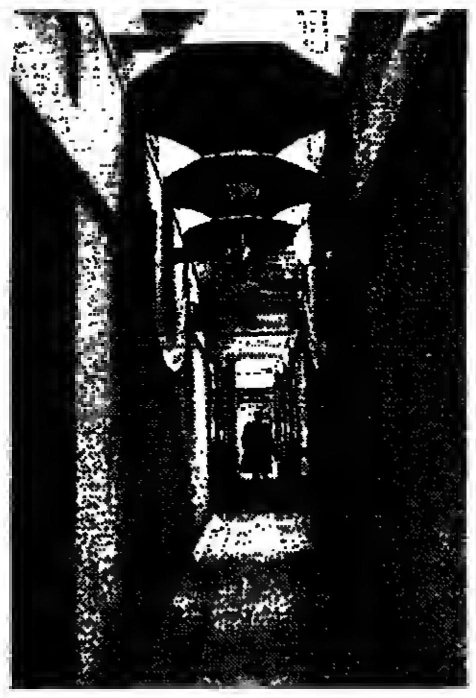
GREATER MANCHESTER

SECTION III

Friday June 14 1991

The great engine of England's northern economy is being hurt by recession but it has not yet suffered widespread damage. In the 1980s, the region started to learn to stand on its own feet. The pain has proved to be worthwhile, as **Ian Hamilton Fazey** reports





CHANGE AND CONTINUITY: (left to right) **the Ship Canal with the M63 bridge in the distance; Manchester's St. Anne's Sq; and a *passage off fashionable King Street***

IN THIS SURVEY

Hard core of confidence

WHEN ICI decided this year to combine all of its chemical specialities operations into one global business with sales of £1.5bn, it had to choose between the US, Britain and Germany for the world headquarters. It picked Blackley (pronounced Blakely) in north Manchester.

Mr Kaya Naprstek was transferred from running ICI's factories in Wilmington, Delaware, to become director of corporate strategy and development. Wilmington came second in the competition.

"We had a big operation in the US, a big one in Blackley, another on Teesside and others scattered around Europe and the rest of the world," he says.

"But when we looked at Manchester, we saw an infrastructure that was already available. We had 1,000 employees on the site. ICI had its own research and development block there. The road network is excellent and you can get anywhere in the world from Manchester Airport.

"We also knew from experience that we would have no problems in getting good staff. We would have moved our research centre years ago if we had not had a good supply of qualified people from the local universities and colleges.

"What's more, we have had many transfers of staff around our operations as they became increasingly international. Many American scientists assigned to Manchester on projects have liked the place so much that they wished to stay."

The idea of Manchester as a desirable place to live and work in has been gaining ground. With more than 2.5m people, it is big enough to have everything needed for a civilised lifestyle, but not so big as to be crushing. Also, its services and physical infrastructure generally work.

Inward, the north-west's government-sponsored agency for attracting companies from overseas and from the south of England has trumpeted five moves into Greater Manchester in the last six months, but something possibly more significant is also happening.

Mr Peter Folkman, who runs North of England Ventures, an investment capital fund in Manchester, says: "You need a critical mass of professional jobs to make a city grow. Middle-class people with a stake in the area always work hard for it. "There are some very good professional, middle-class people unemployed in the south, or just fed up with London prices and congestion, who are anxious to move north to find work.

"For the first time in my experience, large numbers of CVs have been arriving in the post, many from very senior managers with top quality experience at major corporations. This is new and it matters."

The reason why is not so much because it heralds a possible reversal of the southward brain drain that has thinned the north of talent over many years. Rather, it is their potential impact on the region's improving economic self-sufficiency.

They become potential assets in the management buy-in market. There are plenty of management buyouts still going on in the north, usually at prices well below £10m and therefore too small to attract much notice. But some potential buyouts are frustrated by managerial shortages.

Mr Folkman says that Manchester's venture capital funds – most of which have sprung up in the last five years to service local demand – will soon have a sizeable register of likely candidates for buy-ins. They would take minority stakes in businesses and run them.

Finding likely companies to back, however, may be less easy, as Mr Colin Davenport of Davenham Trust – itself a buyout from the financially distressed Burns-Anderson financial services group – points out.

Davenham, backed by lines of credit from banks, can lend up to £300,000 and would like to be part of any good buyout or buy-in funding syndicate going. "We are seeing a lot of inquiries but much of it is rubbish," Mr Davenport says.

For despite Greater Manchester's underlying optimism, increasing attractiveness and growing economic self-sufficiency, there is still a recession on. It arrived late – possibly only in the fourth quarter of last year – and has had less local effect than any before, but is still there.

Unemployment, which had fallen to 7.7 per cent this time last year, had crept up to 9.7 per cent by April, the latest figures available.

Greater Manchester's dominance as the north-west's wealth creator (£m, 1987)

County	Added value in manufacturing	% share	% share of population
Gtr Manchester	4,447.6	39.1	40.5
Lancashire	2,692.3	22.8	21.7
Cheshire	2,475.7	21.8	15.0
Merseyside	1,860.4	16.4	22.8

Source: Regional Trends 25, HMSO 1990

After months of the area's bucking of the southern downturn, Manchester Chamber of Commerce finally reported an emptying of order books during the winter – although some export segments held up and many individual businesses with strong local sales are still claiming immunity.

Mr John Moran, director of County Natwest in Manchester, warns: "We have to be very careful not to talk things up. It's too easy to get carried away by one or two success stories. There is still a lot of pain out there.

"Any company which supplies the national market is suffering. I believe that things still have to get worse and that it will be the end of the year before we see signs of upturn. Then it will be a very slow pick-up with only moderate growth afterwards."

However, it is an ill wind that blows no good at all. Mr Moran is in close touch with Manchester's large army of accountants to ensure that opportunities are not missed for buy-ins among the newly insolvent.

For although Manchester, like everywhere else in Britain, is waiting for the national economy to turn, it is nowhere near as dependent on it as 10 years ago. Moreover, progress through the 1980s was steady rather than spectacular. Since nothing bubbled, nothing has burst.

Mr Tom Marshall, of the surveyors Lambert Smith Hampton, says that because Manchester's share of the commercial property boom lasted only about 18 months no one had time to go over the top. The result is merely about 1.5m sq ft of oversupply at Salford Quays – but Manchester has a natural demand for about 500,000 sq ft a year of new office space even in lean times, so no one seems worried about the eventual outcome.

Indeed, long term confidence is quite apparent with Mr Peter Hadley, of Charter Developments at Exchange Quay in Salford, and Mr Kenneth Knott of Amec Properties, which is currently advertising its role in the development of Salford Quays on boardings all over Greater Manchester.

Amec's long view is nowhere more apparent than at Manchester Airport, where it is proposing a large office park.

This summer, the airport is adding new transatlantic services by American Airlines and Delta. Aer Lingus is spending £25m to turn it into its home hub – thus overcoming its problem of Ireland's population being too small to provide a sure base of income on European routes.

Mr Marshall says: "It's not even remotely arguable that the airport is not an engine for growth. It is going to drive a lot of development."

Lambert Smith Hampton is already involved with projects nearby.

Mr Marshall says that along with strong city centre office demand by the financial and professional sector, the airport makes Manchester different from any other British city.

"Our agency business is down because in a recession fewer companies and people move premises or houses. But we are still doing business and it is nothing like as difficult as in the south. A telling sign is that we have 68 staff and have not laid anyone off."

The picture, therefore, is of long term optimism tempered by short term caution. Greater Manchester seems to be getting many of the basics right and is now waiting for a chance to prove its mettle.

Even then, however, it will almost certainly take things steadily. Mr Davenport sums up why: "We have set up here because people in the area tend to be very reliable. There's no froth. They are real people in real markets. We are comfortable with them."

IT usually comes as a surprise to people to discover that with about 446,000 people, the city of Manchester is comparable in size to Liverpool or Sheffield and is only half as big as Birmingham and two-thirds that of Leeds.

The surprise comes because of the urban sprawl that most people think of as "Manchester". It runs from the M6 in the west for 30 miles east to the Pennines and for 24 miles north from the Cheshire green belt into Lancashire moorland.

In fact, the coourbatioo is of 10 cities or towns which have physically, if not culturally coalesced. The county of Greater Manchester contains nearly 2.6m paople and although its council was abolished in 1985, the county itself remains a physical entity.

That people in the conurbation think of the place as "Manchester" makes the very name of Greater Maochester possible. The city of Manchester's small size may be a factor here: it is not big enough to dominate in the way other big cities dominate their conurbations and this possibly heads off resentment among smaller neighbours.

Significantly, when the city of Manchester went trawling in Brussels for money to help with inner city decline, it did not hunt alone, but as Manchester-Salford-Trafford, the three boroughs which all jut into the inner city and face the same urban problem.

Why Manchester has become Greater

The county with a proud city's name

The 10 boroughs jointly own Manchester Airport and this is one area of policy where they saam able to work together. They also co-operate on public sector pensions, with Tameside technically in charge of a venture capital fund actually run by Murray Johnstone, the Scottish financial services group, from its Manchester office.

However, the boroughs have been less than unanimous about Great Manchester Economic Development, an agency left over from the former county council which survived an independent scrutiny of its usefulness by Manchester Business School but not the failure of the 10 boroughs to agree on its future funding. It was wound up last year.

In this case, Stockport was the odd man out from early on, possibly because economic development is something it does not really have to look for. In April, Stockport's unemployment rate was 5.7 per cent, compared with 8.2 per cent for the conurbation-wide Manchester travel-to-work-area, 9.2 per cent for north-west England and 7.6 per cent for Britain as a whole.

Stockport is to Greater Manchester what Solihull is to the West Midlands – predominantly and increasingly middle class and clean, near the airport, and the place to which the upwardly mobile flee from the city.

The latest edition of the government's Regional Trends put Stockport's 1988 population at 290,900. The borough council says this figure is now 291,300, a small rise, but part of an inexorable trend. South Manchester, the swatha of middle class snburbia en ronte to Stockport, also grew gently.

In contrast, the older areas of central and north Manchester, Salford and Trafford, lost thousands of people, with smaller declines in the outlying boroughs of Oldham, Wigan, Bolton, Bury, Tameside and Rochdale.

Indeed, many Stockport people wish they were in the rather more socially acceptable county of Cheshire instead of Greater Manchester, as they used to be before the 1974 reorganisation of local government. Macclesfield and Wilmslow are still Cheshire towns and, like Stockport, they grew throughout the 1980s.

Along with Sale and Altrincham, all are part of Greater Manchester's commuter hinterland. Together with the southern Manchester suburbs, they cluster round the great economic driving force that is Manchester Airport, with consequent benefit to local business sentiment and optimism.

Nearly everywhere within them looks prosperous – and not much diffarent from southern England. The local economic structure is shifting towards an increasingly high technology profile without anyone having to do much to make it happen.

The effect of all this shows in local authority attitudes. Asked for basic data on their boroughs, Bolton, Bury, Rochdale, Oldham and Tamesida responded with marketing packs that all testified to their struggle against the tide. Stockport merely sent its latest favourable statistics and a note of its present size.

The more anxious boroughs are in the elbow of the M61 and M62 motorways or boxed by the rest of the conurbation against the Pennines. This is where the textile industry was, where redbrick, multi-floored, oblong-shaped mills thrived in a bygone era. Their fight is the same as with old urban communities everywhere faced with the collapse of their former staple industries.

Typically, this is how Oldham describes itself in its publicity material:-

"Once the world's most important centre for textile industry, the area suffered considerable stresses in the recent past due to its over-reliance on such traditional industries and its obsolescent industrial and commercial infrastructure, as well as the lack of appropriate skills in the labour force.

"Today, however, Oldham is revitalised. No longer dependent upon any single industry, the borough is now home to o wide spectrum of industries ranging from electronics and engineering to paper and plastics manufacture. Major players include Ferranti, Siemens, British Aerospace, GEC and Plessey."

However, unemployment is 8.5 per cent – better than a north-west average distorted by Merseyside's problems but slightly worse than Greater Manchester's average. The borough has worked hard at partnership between public and private sectors to exploit the town's link road to the M62 and try to pull itself up by its own bootstraps.

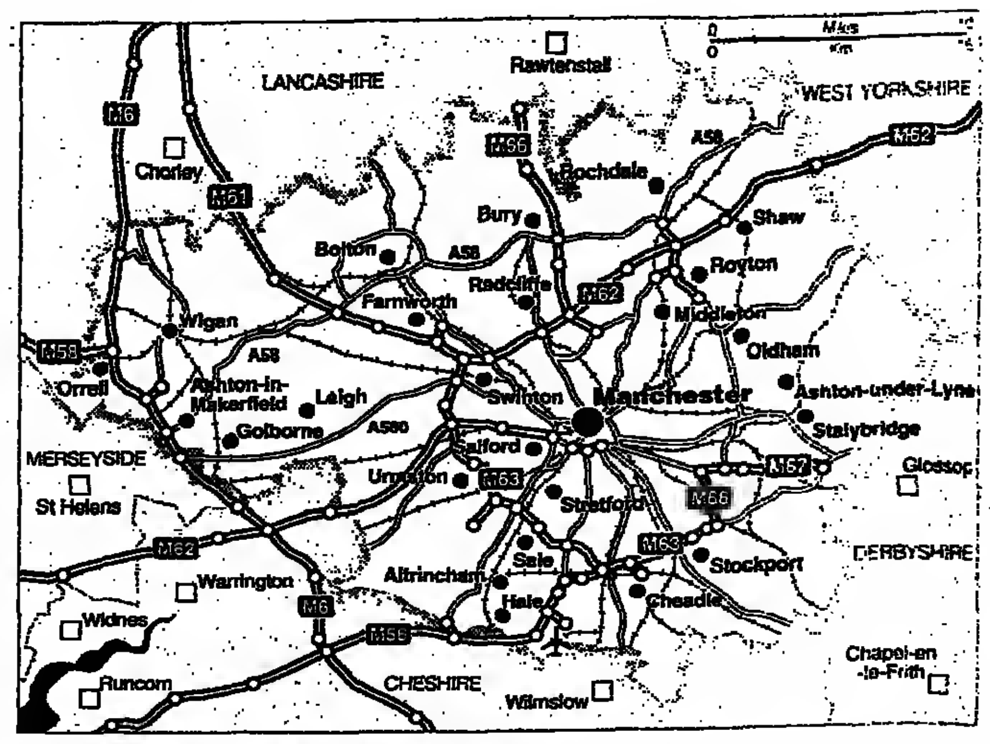
Similar struggles are going on in neighbouring boroughs, with local politicians and business leaders fighting to widen the basic economic structure over the longer term and halt relative declina when compared with the southern half of the conurbation.

In spite of the problems, the statistics for gross added value in manufacturing industry *(see table)* testify to a strong base on which to build.

The scale of this comes home in just one figure: Greater Manchester's total manufacturing gross added value of £4.45bn was just over half of that for Greater London, despite the latter having more than 2.6 times more people.

Pro rata, the West Midlands did better than either with £5.83bn, but Greater Manchester's position as an important valne-adding engine of the British economy is quite clear.

Ian Hamilton Fazey



Local heritage becomes bait for tourists, writes Martin Regan

Welcome to Wigan Pier

GREATER MANCHESTER has to fight hard to attract tourists at a level consistent with its size and regional importance. Tourism in the county is worth about n£250m a year, a sizeable sum but hardly satisfactory for a conurbatioo containing the "capital of the north".

Events as tangeotial as Manchester United's European Cup Winners Cup triumph are seized upon as a marketing tool to attract foreign visitors. In 1989, according to the English Tourist Board, overseas tourism contributed just £90m to the local economy.

The lack of overseas visitors is only part of the problem. Most northern-bound English tourists see no more of Manchester than its name on motorway signs as they drive to the Lake District or Scotland.

The failure to fulfil the region's tourism potential is due partly to a lack of strategic planning. Each of the 10 boroughs traditionally protects its own narrow patch. If Christmas lights are switched on in Manchester city centre, then the other district centres follow suit.

This rivalry is waning, but efforts to promote Greater Manchester as a consortia of 10 equal boroughs serve only to confuse. Visitors can hardly be expected to understand that Manchester United's stadium is not in Manchester, or that Lancashire Cricket Club is not in Lancashire. London, after all, is oot marketed as Greater London.

Research in 1988 by Harris showed that Manchester, thongh suffering from an unfortunate indostrial image (even within tha north), was regarded as tha focus for the conurbation.

This was followed by a joint study by the English Tourist Board and consultants LDR International, which saw Manchester city centre and the adjaceot areas of Salford and Trafford as a "potential visitor destination of international dimensions".

The study concentrated on extracting benefit from the city's canal and river network. Promenades, canal-side restaurants and leisure developments were proposed, together with a 30-acre regional theme park on the Manchester Ship Canal Company's Pomona docks. Such development, it claimed, would create 10,000 new tourism jobs.

Although Central Manchester and Trafford Park Development Corporations have adopted some aspects of this atudy, the grand vision has been lost, along with plans for the regional park.

The impetus for tourism now comes primarily from one-off initiatives by either the public or private sectors. At the four-acre Granada Studios Tour, around 750,000 visitors a year come to stroll down Coronation Street or past a mock-up of Check Point Charlie.

Such attractions may not be everybody's taste, bnt they have proved that tourists will come into Manchester if leisure facilities are availabla. Granada's commitmant to local tourism has been underlined by its investment in a themed 145-bed hotel, currently being built within the Victoria and Albert warehouse. In the longer term, the company plans a £200m Media City on the banks of the river Irwell.

Heritage, both real and imagined, has provided a hook npon which to hang tourist-related development. At Wigan, derelict warehousing was refurbished and repackaged in a £4m local authority-led project. The result was Wigan Pier, which now attracts more than 300,000 visitors a year.

The same nse of heritage is being made by the Central Manchester Development Corporation in its strategy for the historic Castlefield area of Manchester. However, a handful of popular attractions do not make a tourist industry.

The county's attempt to secure business tourism has been hetter organised and more successful. Greater Manchester is highly regarded as a venue for smaller conferences and axhibitions, attracting more than 250,000 delegates a year. The lead has been set by the Greater Manchester Conference Office, a body formed by the district councils to promote the county as a conference venue. It compiles hotel guides and venue lists, and provides marketing expertise.

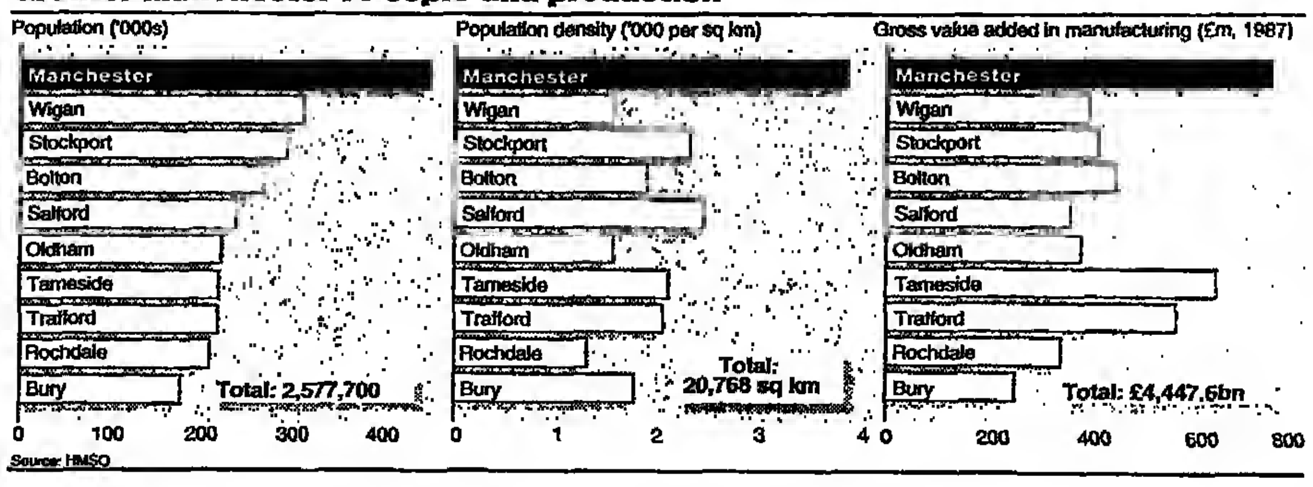
Mr Bernard Owen, who leads the five-strong team, says that, although the county lacks a conference centre to compete with Harrogate or Birmingham, the redevelopment of the former Central Station into the G-Mex Centre has secured the country's middle-market position.

Sncceas has been mirrored by hotel development. Over the past three years, 2,500 hotel beds have arrived on the market. Hoteliers are now showing interest in marketing spare capacity to short-break visitors. There is now a recognition among the district authoritiea that centralised promotion is effective, even if Manchester inevitably steals the limelight. From July, the GMCO will be renamed The Greater Manchester Convention Bureau and its remit widened to include mainstream tourism.

The new name comes with a "significant increase" in the GMCO's annual budget of £250,000. Mr Owen acknowledges that such an initiative is long overdue, but the difficulties in getting the various parties to agree a common programme have been immense. He believes that the city will now be able to compete on equal terms with Glasgow and Birmingham.

"Ten years ago no one would dream that overseas visitors would want to spend a weekend in Manchester, bot we are now starting to get a few Germans and Danes. We have to build on that," he said.

Greater Manchester : People and production



Source: HMSO

Stewart Dalby describes the upheaval in Manchester's transport system

The town goes back on the rails

WALKING in central Manchester nowadays can be hazardous. Many junctions are being ripped up to lay track for the city's Metrolink, a light transit railway which will run on streets where 50 years ago the trams clanked and rumbled.

The disruption has been so bad, says a restaurant in the city's central Chinatown district, that it is being forced out of business. Taxis have not been able to decant its customars and private cars have nowhere to park.

But it may become easier in November, when the light railway is due to start operating.

One of the attractions of the Metrolink is that, as a light railway, it was cheap to build compared with a conventional or underground railway. It can utilise the existing busy commnter rail tracks from Bury to Victoria and from Altrincham to Piccadilly.

There will be 26 carriages, with 23 in use at peak times and 20 in off peak times. Each carriage can carry 80 people sitting down and 270 people altogether.

There are 2.5m people in the Greater Manchester conurbation. It is estimated that 50,000 journeys are made into the city centre each day. The Metrolink would account for 10,000 journeys, starting witb a train every five minutes at the peak hours and one every 10 minutes in the slower periods.

The new system is intended to solve a problem which has bothered the city fathers for most of this century: to provide rail access in and around the centre and to connect its mainline railway stations with each other.

The Victorians built separate rail systems to the north and the south of the city. But there is no direct rail link between Victoria and Piccadilly stations, where these networks now terminate. Manchester also lacks an equivalent of the London Underground Circle Line which passes through six of the seven main London rail termini. People still travel on a number of bus systems or by foot or by private car across the city.

A 1977 scheme to tunnel under the city was dropped on grounds of cost

To tackle the problem, a plan was mooted in tha late 1960s to link the Piccadilly, Victoria and Central rail stations. (Central is no longer a station – it has since been converted into G-Mex, the Greater Manchester Exhibition Cantre.) This was the Pic-Vic plan which would have involved tunnelling under the city centre and creating five stations.

Aftar £2m was spent on research and publicity, the schema got as far as a government minister's desk but the then Labour government got cold feet about costs and in 1977 the scheme was abandoned. It would hava cost £160m at mid-1970s prices.

British Rail and the local authorities have put in two new heavy rail lines which roughly follow a north-west/south-east axis. These are the Hazel Grove Chord and the Windsor link. (A third line to tha airport sbould ba completed by 1993). But none of these lines crosses the city centre.

Now, however, the tracks are being dug into the streets and squares. Ramps for the disabled are being built at the stops, sections of route are being raised and old viaducts are being refurbished. But there is no exorbitant tunnelling work. Nor has it been necessary to remove listed buildings although there has been some compulsory purchase of land.

The first phase of the transit system will run for 30 kilometres and contain 25 stops. There are to be nine stations each on the Bury and Altrincham lines and seven stops in the city centre. There will be a spur from the centre to Piccadilly, looping to Altrincbam and back.

Other phases are planned to take in Salford and Trafford Park to the west, Hadfield to the east, and Rochdale to the north. A private Bill to authorise the other phases is currently going througb Parliament. The line to Salford Quays and Trafford Park will be particularly important in view of the 1m to 1.5m sq ft of office space currently being developed there. But work on it is unlikely to start before 1993.

The EC regional development fund has provided hefty financial support

Phase one is expected to cost around £130m, although it is not clear what provision for operating and maintaining the system has been built into this figure.

The contract is thought to be the first in Britain involving a complete design and build, maintain and operate arrangement. It was awarded to the GMA Group after seven other tenderers were eliminated. GMA is a consortium embracing GEC Alsthom, John Mowlem, AMEC, and Greater Manchester Bnses. Another minority shareholder is the Greater Manchester Passenger Transport Executive, but this has not prevented friction in their relationship.

The GMPTE answers to the Greater Manchester Passenger Transport Authority whose 30 members are drawn from the 10 local councils in the Greater Manchester area. It felt that the £5m capital put up hy the consortium was a small price to pay for the right to operate the system for 15 years.

It will enable tbe GMA Group to recoup relatively small capital costs througb operating revenues. The rest of the cost is being met roughly 50/50 by the government and by the local councils represented on tbe the GMPTA, which means, ultimately, the local councils.

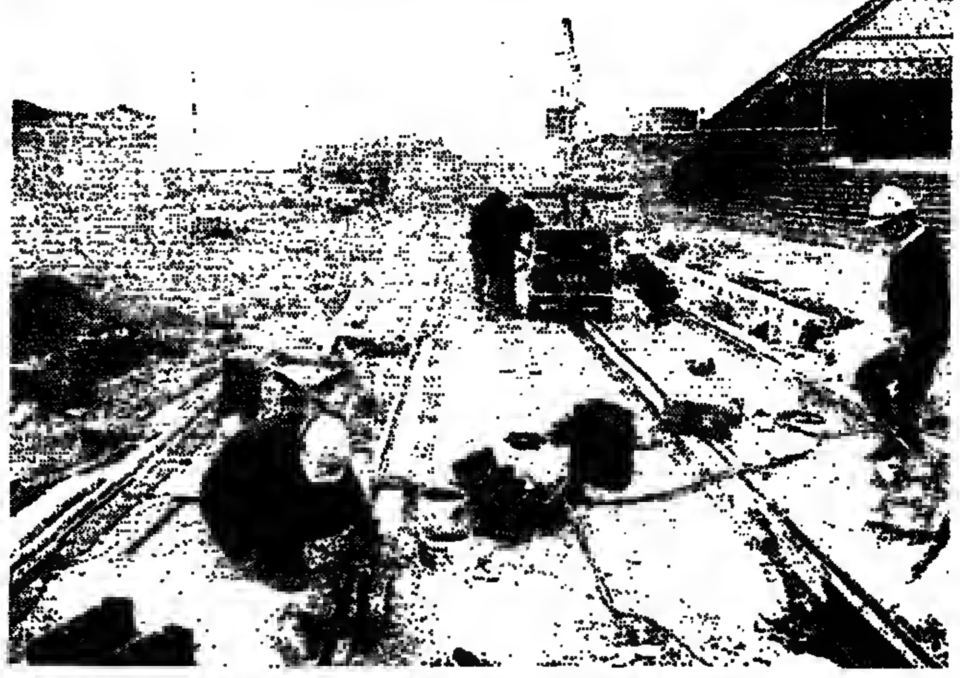
The government is funding the project under section 56 of the 1968 Transport Act whicb allows it to give monay for sucb transit systems. It has received a hefty but undisclosed sum from tbe EC Regional Development Fund as part of its own contribution.

There bave also been differences over bow the contract has been executed. Tbe GMPTE would ratber it had more control over the various parts of tbe contract rather than have everything in one design, build, operate and maintain deal.

But with the project now so close to completion all this is academic. Apart from taxi drivers, who say the system will intensify ratber tban reduce congestion at certain times of day, the Metrolink seems to be genarally welcomed.

Because of depopulation in recent years Manchester is not as badly congested as some other cities, but it has acute parking problems at some times of the day. The new electric system will also be more environmentally friendly than cars and buses.

A furtber, unquantifiable benefit may be the extra traffic tbat it will generate if it attracts passengers wbo currently refrain from visiting tbe city centre during the day or for an evening out. This could increase travel to tbe city centre by 10 to 15 per cent a year if tbe surburban stations are given better facilities for motorists. And the extra off peak travel will furtber stimulate the heart of Manchester.



Laying tracks beside the GMEX centre: completing the work of the Victorians

MANCHESTER AIRPORT

A player in the first division

MANCHESTER'S airport feels that, like its football teams, its rigbtful place is in the big league near to the top of the first division – and with an international standing.

In the past decade, Manchester Airport has climbed from a modest regional base, carrying 3m passengers, to an international crossroads for 11m passengers a year. It is now the third busiest airport in Britain and 17th in the world. It claims to be the fastest growing airport in Britain and predicts that it will be one of the world's top 10 by the end of the decade.

One can now fly to almost as many destination from Manchester as from Gatwick.

How has this happened? In part, it reflects the growth of the regional economy, particularly in financial and professional services. Manchester is far enough from London for its economy to have developed in its own way.

As new high-technology industries have moved into business parks in the industrial north, accountants, lawyers, specialist banks such as venture capitalists, and sundry otber support groups have arrived with them. Services which were once provided from the south have become available locally.

Gill Thompson: hard sell

Manchester also boasts more than 40 foreign banks. Many first came to serve the substantial ethnic communities. But as foreign investment and outside interest has grown the local Chinese concerns have been joined by Japanese and other Asian banks.

The airport's spurt of growth in the early 1980s came from its domestic services, particularly its regular shuttle to London. This is still a major earner, and Manchester has more domestic routes than Heathrow.

Its international expansion, bowaver, partly reflects the lack of regional competition.

Manchester was able to build up its inter-continental business by stressing that, although it might be far from London for the domestic business traveller, in international terms it is no distance at all.

Given the congestion at Gatwick and Heathrow, Manchester, less than an hour's flight from London, has been able to talk about convenience.

Vigorous self-promotion has been the underlying reason for the airport's rise, however. "We are a market lead airport", says Mr Gill Thompson, the chief executive for the past 10 years.

He and his team have aggressively sold the airport within the airlines industry, with the claim that it is cbeaper and easier to get through than the London airports.

It now has 94 airlines serving 170 destinations around the world. As well as passengers Manchester has built up its freight business. Last year, it handled 80,000 tonnes, far short of Heathrow but growing significantly.

The latest airlines to book in are Delta and American. Delta will shortly be starting a daily service to Atlanta and American Airlines will run a once a day service to New York.

Like Gatwick Manchester has hung on to its charter business, which now accounts for 40 per cent of flights with scheduled services comprising the rest.

"You should not knock charter flights", says Mr Thompson. "They got rather a bad image in the 1960s because of poor services and departure delays. But they have gone upmarket since then. Charter flights to the Caribbean and European ski resorts are good solid business."

The charter business has held Gatwick in good stead in the past year of turmoil for airlines. While the Gulf War and other factors reduced the number of international scheduled passengers and recession sharply hit domestic demand, there was only a fractional fall in charter flights.

The airport is very profitable last year, earning £44m before tax on a turnover of £118m.

Mr Thompson's priority is to persuade more domestic and European carriers to use the airport and to increase the number of passengers transferring to long haul flights. This new summer new routes from Manchester will include Hamburg, Rotterdam, Nice, Strasbourg and Toulouse and there will be more flights to Newcastle, Aberdeen, Paris and Milan.

Some of this increased activity will be absorbed by a second terminal now under construction. Phase one of the 263 acre terminal will increase capacity by 6m - 17.5m passengers and phase two in 1997 will boost it to 23.5m.

As a publicly owned airport, (the owners are Manchester City Council and nine district councils) it is widely assumed that Manchester is constrained in its ability to raise money. But it has been able to find the £570m necessary for the new terminal. With this new addition Manchester will truly enter the big league.

Stewart Dalby

THE latest flotation of a Greater Manchester company was not a great success – but there were excuses. The company was Mancbester United, which is more famous as a football team than a corporate entity.

Financial institutions backed the issue, but not as many private citizens as had been hoped, so the underwriters had to pick up half the shares.

The fans, who are predominantly at the C2DE end of the social spectrum, many of lhem young and mostly without many persooal assets, were generally strapped for casb by following their team through a successful season, culminating in an expensive trip to Rotterdam to see United win the European cup-winners' cup.

In tbe wider economic seose, however, no one in Greater Manchester thought that the outcome of the football club's flotation was likely to rock any boats anyway. The conurbatioo and its immediate hinterland is one of the profitable parts of corporate Britain, with a firm base of rather more manageable industry and commerce than a football club.

Indeed, year-to-year analysis of where quoted companies have their headquarters shows Greater Manchester to have about 25 within its borders at any one time, the oumber fluctuating slightly around this core as a result of mergers, acquisitions and flotations.

Ian Hamilton Fazey examines the area's popularity among leading international companies

Good geography and sensible workers

Tootal has been taken over by Coats Viyella, for example, but Manchester United's flolalion restored the oumber to previous levels within weeks.

Up to another 20 quoted companies can be found in Greater Manchester's ecooomic hinterlaod of east Cbeshire, north-easl Lancashire and the M6 corridor between Crewe and Wigan.

While Yorkshire and Humberside can usually field around 140 over a larger territory, Manchester's are, on average, up to twice as big as their Yorkshire counterparts.

It means that this is no hranch economy of the English south-east – the opposite to the common perception of many people in the bome counties.

Tbe quoted companies are, of course, the tip of the iceberg. Heury Cooke, the Manchester stockbroking and financial services group, last year identified about 2,000 privately-owned husinesses along the M62 corridor, the most densely populated part of whicb runs through the middle of the Greater Manchester coourbation.

Many of these turn over up to £10m a year and make up to £1m in pre-tax profits. Many are candidates for eventual flotation, sale to a larger company or group, or merger.

Generally, Greater Manchester and its hinterland has a remarkably stable corporate structure. An appropriate metaphor comes from compariog lt with good coocrete. The aggregate has the right proportions of big, medium-sized and small stones to fill the interstitial spaces and prevent cavities forming.

In Greater Manchester's case, the oetwork of A-class dual carriageways and motorways which has given the north-west Britain's best roads infrastructure, is akin to reinforcement rods. The cement holding all this together is local trade, which has a critical mass of local and regional markets to leed on, in addition to rapid motorway access to national customers.

Moreover, Mr Peter Folkman, now head of North of England Ventures, did some interesting research into the development of entrepreneurship in the area when he ran the Manchester office of Investors in Industry (3i).

The overall picture is of a powerful private sector driving a strong local economy

This showed that many people who start successful, growing husinesses learn their management by working in an already successful medium-sized company employing up to aboot 300 people. Greater Manchester has plenty of these.

North-west England already contributes more than 10 per cent – curreotly about £80bn – of Britain's gross domestic product, the biggest share of any region outside the south-east. This is reflected in £11.4bn of gross value added in manufacturing in 1987, the latest figures available.

Greater Manchester's share was nearly 40 per cent of that. If the added value from the Cheshire districts of Macclesfield, Congleton and Warrington is added, the share rises to nearly 50 per cent, while the five districts of north-east Lancashire – Blackburn, Burnley, Hyndhurn, Rossendale and Pendle – add another 10 percentage points.

Proximity to the main conurbation or to motorways pull all of these districts well within the orbit of Manchester's influence. The rise of the city's financial and professional sector as an industry in its own right is on the back of this spread of industry and its demand for economical, local services.

The overall picture is of a powerful private sector driving a strong local economy.

Soma of the industry is old, but reconstructions in the wake of the 1980-82 recession mean that little if any is ontmoded. Manchester United perches on the fringe of Trafford Park. It may have been built in the early years of this century as Europe's first indostrial estate, hnt lts modernised occupants include GEC, Ciba-Geigy, Kelloggs and Procter & Gamble.

Cerestar, Gruppo Feruzzi's starch processor for the food industry, has invested more than £40m there in the last few years. Demand for industrial space from newer companies remains strong.

British Aerospace, Ferranti, GEC and Siemens are among the hig players with a spread of factories in the region. Among big, influential businesses which have their headquarters in Greater Manchester or nearby are ICI Specialities, Coats Viyella, Sharp Electronics, AMEC, Granada and Simon Engineering.

Indeed, the Stockport-based Simon has deliberately used the motorway network to huild lts group of related, high technology, engineering businesses across the north, the roads providing speedy physical links.

These, of course, are all among the bigger blocks in the aggregate. A glance at Henry Cooke's analyses of regional companies, however, reveals some gems among a wide range of medium-sized businesses.

They include Barry Wehmiller International, an increasingly successful manufacturer of packaging machinery for the food industry, and Bodycote International, a metals lechnology business run hy Mr Joe Dwek which has expanded into protective clothing, safety products, packaging and textiles.

J.N. Nichols is belter known by its most famous product, Vimto, the soft drink, the home market for which has enough natural growth to offset difficulties in Middle East export areas. Renold, which makes chains, gears and machine tools, has been holding up well in spite of slow international trade in its markets.

Indeed, in its published analyses, Henry Cooke is currently making many "strong hold", "hold" and "buy" recommendations to its clients as far as shares in regional companies are concerned. Il was not very keen on the flotation of Manchester United, but local confidence in the real industrial base appears very sound.

Financiers unveil new venture capital package

Tools for recovery

MANCHESTER is to be tbe test-bed for a simplified form of equity funding which Investors in Industry (3I) is launching today. The aim is to cut the cost of venture capital for medium-sized and smaller companies looking to finance growtb as the recessioo ends.

The scheme will make sums of up to £250,000 available, but will be available for an experimental period only through 3i's Manchester office.

Manchester has beeo choseo partly because Mr Charles Richardson, lbe 3i national director with responsibility for oorthern England and Scotland, is based there, hnt also because the city now has one of the most active concentrations of venture capital expertise in Britain.

The segment has sprung up since tha mid-1980s, developing rapidly with practice. Manchester now has more than 50 professionals with active experience of equity funding.

They have been catalysts in the development of a coherent financial and professional services sector because they form networks with other professionals from which they then select partners to do specific deals. This process has linked accountants, solicitors and bankers and fostered teamwork.

Self-interest has beeo a motivator because fees are good. Mr Richardson says that these can easily build to about £25,000. Of this £10,000 might go to the investor, solicitors on each side might earn up to £2,000 and accountants and consultants reporting on financial health of the business and its market prospects would consume most of the rest.

Cutting these costs down to more manageable proportions for small or medium-sized businesses is central to 3i's new scheme, which will be run by Mr Richard Young, the Mancbester office's senior investment controller.

Called "Core Capital", it will use simple financial instruments and straightforward documentation to reduce total fees to around £5,000.

Mr Young says that many seekers of funds have been mystified by venture capitalists "hiding behind a veil of black magic" in constructing their deals. Actual equity has been bought cheaply, with the bulk of the investment taking the form of high-yielding preference shares and loans. The new scheme will be more concerned with buying ordinary equity.

Since lt will seek to expand the venture capital market to businesses which normally raise all their development in the form of bank loans, the scheme's impact oo the regular market is expected to be slight.

This regular market will almost certainly cootinue to centre on managemant buyouts and buy-ins, as it has increasingly in the last couple of years. The day of the large-scale, highly leveraged buyout may be over, hut at the smaller end of deals under £10m the market remains active.

MANCHESTER-BASED FUNDS & MANAGERS

3i	P. Goodwin	061-839 3181
Charterhouse Development Capital	S. Nellies	061-236 1100
County Natwest Ventures	J. Moran	061-832 8827
Davenham Trust	C. Davenport	061-832 8484
March Investment Fund	R. S. Marshall	061-872 3676
Mynshul Bank		061-236 8697
Murray Johnstone	J. Oiggines	061-236 2288
N. of England Venture Managers	P. Folkman	061-236 6600
North West Regional Fund	C. Edwards	061-834 2332

Mr Ian Templeton of the Manchester office of accountants Stoy Hayward, says: "We have organised four management huyouts this year, including £3m of equity finance for Davenham Trust's buyout from Burns-Anderson and £1.5m for a division of Simon Engineering.

"Several more are in the pipeline and we are also currently looking for three £1m packages of development capital. There are hundreds of buyouts going oo but most have sunk to such a low price that they are no longer on anyone's register, since these usually start with deals above £10m."

Stoy Hayward's Manchester office has deliberately set out to secure a good fee-earning niche as a hroker of venture capital deals. At the top end, its record lncludes arranging venture capital for Mr Eddy Shah and for British Midland Airways.

3i's Richardson: trial offer

"Our commitment lncludes six chartered accountants spending 70 per cent of their time on venture capital deals. Venture capital is now the only source of money available for even moderately geared businesses which want to expand. Gearing of 1.5 times equity is now considered highly leveraged by some banks, making it impossible to borrow more," Mr Templeton says.

Rickitt Mitchell, which Mr Peter Rickitt, its co-founder, claims to have been Britain's first corporate finance boutique, is also run from Manchester and specialises in selling businesses as well as brokering venture capital and other funding deals.

Its own local outlet is North of England Ventures, a fund which is also backed hy Schroders. Mr Peter Folkman, who runs lt, formerly headed 3i in Manchester. "We have a scarce commodity, which is money. There are lots of things to look at but most are vary difficult to translate into deals. However, there are many very able people in the south looking to move north hecause of the recession," Mr Folkman says.

"Good management has always been scarce for businesses which want backing from venture capital funds. Fund managers are now huilding up lists of suitable people to take part in appropriate management buy-ins."

Thay would strengthen incumbent teams wanting to do management buyouts from existing owners sbedding non-core activities from their groups as recession has deepened.

Mr John Moran, director of County Natwest in Manchcster, says the Manchester networks are also being tapped for another source of likely investments – insolvent companies which can be picked up cheaply and turned round with the right investment and management. "There is no shortage of equity capital," he says. "We are talking to insolvency practitioners regularly so as to identify venture capital prospects."

The difference between this recession and previous ones is that this time Maochester has a local venture capital industry in place. It is well-loaded with money and well-staffed witb experienced dealmakers.

Since good local knowledge ls essential to strike a good deal, longer-term prospects are fair, however grim the short view.

Ian Hamilton Fazey

Martin Regan finds strong local demand for city properties

Square half mile scramble

Evidence of recession within the central Manchester property market is surprisingly elusive. The city's developers and chartered surveyors will acknowledge a down turn in activity, but this ls described as more the readjustment of a hull market than serious decline.

The description is precise. Alone among the distinct locations which make up the Greater Manchester office market – second in size only to Londoo – central Manchester has avolded the problems of oversupply.

Rental growth is the most often quoted example of the market's buoyancy. In 1988, rents were £10 a sq ft; today they are over £20 a sq ft. The figures are impressive, though the less partisan may point out that the best rents have been achieved on buildings which will not be completed for another year. Whatever tha measurement, the city centre property market remains in rude good health.

The reason is micro rather than macro, concerned primarily with supply in a tiny area. Mr Ken Bishop of chartered surveyor Bernard Thorpe says that demand for space within the city centre simply outstrips the physical ability of the market to meet it.

"Those who talk about oversupply are generally those who don't know the local market. Manchester City Centre is separate from hoth Sonth Manchester and Salford Quays in the type of user it attracts," he said.

"There is a huge professional occupier base which is beginning to move into new premises as they become available. Of the 700,000 sq ft which will be completed by 1993, around half has already been let." The record rents are being set within the city's Square Half Mile, a tightly knit community hounded by John Dalton Street, Mosley Street and Cross Street which forms the commercial core. Around half of all the city centre's professional firms are based in this small area.

Studies by Manchester City Council have suggested that 90 per cent of the centre's entire 17.5m sq ft office stock is more than 10 years old. Air conditioning is the exception rather than the rule, yet the opportunities for new build are limited by architectural and engineering considerations. With a growing number of expanding professional firms operating in almost Dickensian conditions, the rewards for those developers who do manage to secure sites within the Square Half Mile can be substantial.

Earlier this year, a proposed 35,000 sq ft development by the Church Commissioners at St James's Square saw the city's financial institutions jockeying for the right to occupy.

The winner was Legal & General which hid a record £20.50 a sq ft and is now looking to sublet part of the space at £22 a sq ft.

The scarcity of other projects in this core means that every one is likely to push the market forward, as agents trade off ever higher established rentals. The most notable schemes include Barclays Bank's redevelopment of its York Street premises and a joint Church Commissioners-Barlows project which will rebuild behind the facade of a Grade 2 Listed building on John Dalton Street.

Demand is the other crucial factor. The city's accountants and lawyers have expanded considerably both through merger and organic growth. There has also been a steady stream of new arrivals, particularly in banking and insurance.

Ironically, the buoyancy of the market has itself created extra demand through an expanding property sector. In little more than three years surveyors Chesterton has gone from a standing start to a staff of around 40. New practices and and offices have been opened by London agents. Knight Frank & Rntley, St Quintin and Weatherall Green and Smith have all arrived in the past 18 months.

There is a stream of new arrivals in banks and insurance

The key lettings over the past year have mainly involved professional relocation within the city centre. The law firm of Addleshaw Sons & Latham took 15,000 sq ft of an office scheme developed hy MEPC on Cross Street, while KMPG Peat Marwick McLintock snapped up a 67,000 sq ft development proposed by Guardian Royal Exchange in St James's Square. The existing KMPG building will be redeveloped by Friends Provident.

Some of the demand has been mopped up by refurbishment projects, like Peel Holding's redevelopment of the former Manchester Stock Exchange. Most, however, has been squeezed into nearby areas which agents grandly term the central business district.

Most new developments are within this district, but there are attempts to change the structural make-up of the market through the creation of a second office core. The Central Manchester Development Corporation is keen to promote this concept in the area taround Great Bridgewater Street.

Historical precedence is not encouraging. In 1971, the Bank of England deliberately moved from the core, but the property crash of 1974 left it stranded. More recently, Coopers & Lybrand moved into a new 40,000 sq ft building on Minshull Street, in the heart of the city's red light district. Tenants include Halifax Financial Services and City of Westminster Insurance.

The attention on office rental growth has overshadowed events in the retail market. Manchester is the third largest UK provincial shopping centre after Glasgow and Birminghamwith total annnal expenditure put at £1.5bn.

Anecdotal evidence suggests that retail trade has fallen, which in turn has led to downward pressure on premiums, but investment activity in the sector has been increasing.

Confidence in the long term future of Manchester as a regional shopping centre is underscored by the number of large projects currently on the drawing board. The most interesting is a plan to develop the city's historic Shudehill area.

This 500,000 sq ft retail development is being proposed by the three major landowners in the area: CIS, the Co-operative Wholesale Society and Bishopgate Properties, a Robert Maxwell vehicle. The site includes Maxwell House, the former Northern headquarters of Mirror Group Newspapers.

SALFORD QUAYS

On the waterfront

IT IS tempting to compare Salford Quays in Manchester with London's Docklands. Here was an area of derelict old docks. The infrastructure and housing was developed in the 1980s, and now a lot of office space is being rushed up while the land keeps its highly advantageous enterprise zone status.

This office space could be surplus to requirements for the foreseeable future not just because of the recession but because, as in the City of London, financial and service companies in Manchester are reluctant to move out of established core office areas despite high rents and the fact that the alternatives are just down the road. In London, the City is known as the square mile. In Manchester, the core area is closer to half a square mile.

Three developments, Exchange Quay, the Anchorage and Harbour City, are about to add 1m square feet of office space to the existing stock.

Before the recession the take-up of office space in greater Manchester was about 500,000 sq ft a year. At the moment new lettings are not reaching anything like this level.

It is easy to compare Docklands and Salford Quays, but the temptation should be avoided for several reasons.

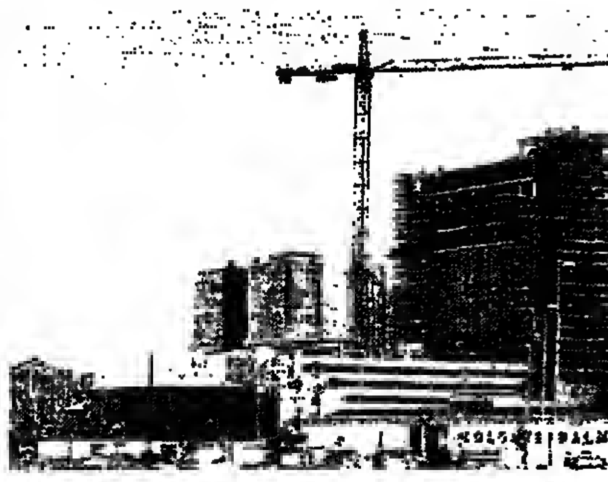
First there is the question of scale. Salford is only talking about 1m square feet. While these developments might influence what is built or is not built elsewhere in Manchester over the next few years, the buildings in Salford are probably not more than the market will bear. Even if one includes developments in Trafford Park across the canal from Salford there is probably no more than 2m sq ft of office space or B1 light industrial property due to come on to the market. (Exchange Quay, while physically in Salford, is in the area covered by the Trafford Park Development Corporation).

In London, if Broadgate in Liverpool Street and the developments at Kings Cross are added to the buildings in Docklands one has tens of millions of sq ft looking for tenants.

There is also a limit to how much new office space can be built in the middle of Manchester. The core was redeveloped only in the 1970s. There is central Manchester, immediately to the south of the core area. But much of this district consists of old cotton warehouses and other listed buildings which do not make ideal high technology offices.

Mr John Glester, the chief executive of the Central Manchester Development Corporation, estimates that by the mid 1990s some 400,000 sq ft of new or refurbished office space could be developed.

A third difference is that Salford Quays do not suffer the problems of access bedevilling the London development. Salford is less that 10 minutes by road from the heart of Manchester most times of the day and only minutes from the motorways and the airport.



Canal-side construction site: a lot more space is available

The quays are just a stone's throw from Trafford Park, one of the largest industrial estates in the country. It is currently being regenerated by an Urban Development Corporation. Most companies on the estate are industrial or high technology. The new office space will complement the industry already in Trafford Park.

The developers of the new office blocks expect that the space will be let to concerns not only from Manchester but from around the country and overseas.

A derelict area has been revived with only a modicum of government money

Charter Gronp, the developer of Exchange Quay, is so confident thet it has given a rent guarantee of £15.50 a sq ft to the owners until 1996. Because of the tax allowances on enterprise zone schemes, the development at Exchange Quay has been sold to a trust.

These enterprise zone trusts can often have thousands of shareholders. In some respects they work like business expansion schemes. For example, the developer is relieved from the need for a huge bank loan and is therefore not obliged to pre-let or find tenants immediately. The reason for building Exchange Quay the middle of a recession is that the enterprise zone status will come to an end in August of this year.

The new offices add a new chapter to what has already been a remarkable revival of Salford Quays. The story probably started in 1981. The quays were then very derelict, the canal was little used and the water was polluted. The land was degraded and there was little power or proper road access.

The Salford City council had wanted to bring the Quays to life, but developers said the area was too far gone to be restored without large infusions of public money. Government urban development corporations were only just starting and, for various reasons, Salford Quays did not qualify for their aid. The Council nevertheless bought a large part of the quays – 160 acres of land and some water – from the Manchester Ship Canal Company for £1.6m.

Although there was no development corporation, there was some government money available in the form of urban aid and reclamation grants. (Today this aid would all be wrapped in a city grant.) To unlock this money the council struck a deal with Mr Ted Hagan, a local developer with a repntation for tackling difficult sites.

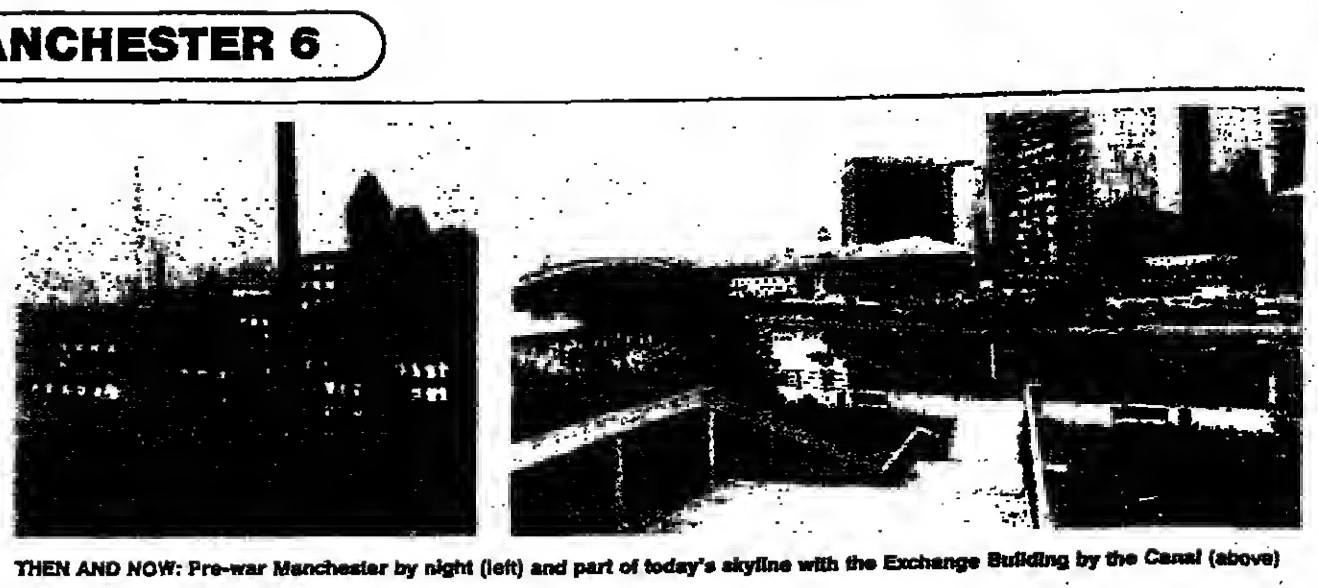
Mr Hagan and his company, Urban Waterside, were the catalysts which rejuvenated the Quays. It was agreed that if he could raise £9m in private development money, be would be given nearly 30 acres of the land at a peppercorn price.

Mr Hagan now chuckles in recalling that the council may have doubted that he could ever he raise this amount and assumed thet be would only generate enough, say £4m to £5m, to trigger government grants. In the event, Mr Hagan received the commitments, and a 160 room Copthorne Hotel and a multi-screen Cannon cinema complex now stand on his land where he secured the freehold. He has also built 100 homes and developed the waterside. The council and the Ship Canal Company have also built homes and put up factories and offices.

But the revival of the quays is not yet completed. Mr Hagan still has 3.5 acres of Trafford Road frontage on which he wants to build three floors of shopping. Eventually a Metrolink station will go in at the ground floor level.

The Canal Company and the city council still have land available. Salford Quays is well advanced in becoming an integrated, as well as an architecturally attractive waterside development. A decade ago there was severe dereliction. Tha area has been brought back to life with a modicum of government money.

Stewart Dalby



THEN AND NOW: Pre-war Manchester by night (left) and part of today's skyline with the Exchange Building by the Canal (above)

Stewart Dalby describes the resuscitation of central Manchester

Heart beat grows stronger

THE building of the light transit railway system known as Metrolink is one more element in the drive to regenerate the heart of Manchester.

Manchester is a small city within a sprawling conurbation. It probably takes less than three quarters of an hour to walk across the centre depending on how you define it, yet the greater Manchester area with its 10 districts has a population of 2.5m.

As with other old towns and areas such as the East End of London and the docks of Liverpool, the centre of Manchester underwent a depopulation and decline as old industries withered and died.

The beautiful but faded and empty warehouses around the Rochdale Canal bear testimony to the days when Manchester was an epicentre of the cotton industry. For the time being, they continne to give an impression of dereliction.

In 1951, central Manchester had a working population of 200,000, by 1971 this was down to 100,000 as factories and businesses closed and companies and people moved out to the suburbs and new towns. It has remained static at around this level ever since.

It is difficult to get precise numbers of those living in the central districts. Transport authorities estimate some 50,000 journeys are made into Msnchester every day. This would mean a resident population of between 50,000 and 75,000, but it would depend on the definition of the centre.

Mr John Glester, the chief executive of the Central Manchester Development Corporation, reckons that when the body was set up in 1988 only 80 people lived in the area under its remit.

This area comprises 470 acres around tha Rochdale Canal. It has 80 listed buildings inclnding some of the aforementioned former cotton warehouses. The CDMC bailiwick does not encompass the core business district around King Street; it is immediately to the south and west of this.

It does, though, impinge on sites and buildings considered to be the geographic and spiritual heart of Manchester such as the G-Mex exhibition centre which was the old Central Station, the Central Library and the ornate town hall on Albert Square with its stern-looking statue of the great Victorian prime minister William Ewart Gladstone. The John Rylands Library in Deansgate, built just before the turn of the last century, is considered one of he finest examples of modern Gothic in Europe.

The CMDC has become the focus of attempts by both the government and the city anthorities to revive central Mancbester. Like the other urban development corporations the idea is that government money spent on improving the environment and infrastructure as well as aiding developers will lever a greater multiple of investment from the private sector.

The CMDC is unusual in that not only is it the smallest of the UDCs – it is the only purely city centre one. It does not have railway yards or derelict docks to restore. Its budget is thus comparatively modest compared with, say, London's Docklands. It was originally thought the CMDC would be given some £55m over its five year life and generate more than £200m of private sector investment.

More recently the CMDC has suggested to the government that with spending of around £70m to £80m from the public sector some £500m, or even over time £1bn of private sector money could be forthcoming. This last, £1bn figure now looks a trifle optimistic given the recession. But so far the corporation has spent £30m and has seen £200m either spent or firmly committed, so its original target has been reached, more or less.

In a sense the revival of central Manchester was underway before the development corporation got into its stride. In between the core business district and central Manchester is a hustling Chinstown. It is alive by day with spice shops and banks and cultural centres, and colourful by night with all manner of ethnic restaurants.

The Palace Theatre in Oxford street and the Opera House have been rescued and are thriving. The G-Mex centre can seat 10,000 and was recently host to sell-out concerts by Luciano Pavarotti and Paul Simon. Central Manchester has developed a home grown rock music industry in the past decade, a sort of echo of Liverpool in the 1960s. There are a number of recording studios and clubs. It is unfortunate that the positive image radiating from the music scene has recently been overshadowed by unsavoury publicity about drugs.

There is often an overall gain from prestige projects constructed at a loss

Granada televielnn has developed its studio visits to the point where some 750,000 walked around Coronation Street, tha set of one of its most famous programmes, in the past year.

To these cultural and artistic stirrings the CMDC has tried to add a sense of community and civic pride. A lot of money has been spent by the CMDC on cleaning up the canals and brightening up the walks along the canals. Some of the warehouses have been refurbished as homes and offices. Lancaster House, for example , has been transformed into 71 low cost flats for rent. Chepstow House, on the other hand, has been made into 76 executive apartments. Piccadilly Village will heve 125 new homes as well as shnps and nffices. Granby village will have 211 flats.

In all, around 500 homes – some for rent and the others being offered for a whole range of prices – have shown the latent demand for city centre homes. Mr Glester estimates that at the end of the day there could be 1,500 homes in the CMDCs area, with a population of aroumd 5,000.

The residents will undoubtedly bring added life to the area. There is a feeling, though, that in order to bring about a full revival of a once prosperous city it must have a centrepiece on which people can focus.

Birmingham has just opened its International Convention Centre, which is also home to its increasingly well-knnwn symphony orchestra. Glasgow has a concert hall. Cardiff hopes to build an opera house. Brighton has long had a conference centre.

Often these prestige projects are built at a loss (in the sense that they never recover their capital costs) bnt the gain comes from profitable buildings all around them, like hotels, shops and offices. Manchester, home of the famous Halle orchestra which currently performs at the Free Trade Hall, has decided on a 2,400 seater concert hall.

The new concert hall, to be built next to the Free Trade Hall, would cost around £30m to £40m and would be funded almost entirely from the public purse. The city council would put in the land, which it owns, as its contribution at something like £10m to £15m. This would trigger cash from the EC Regional Develnpment Fund and the UDC would chip in with a city grant of, say, £10m.

The builders, Beazer, would make profits from the Great Bridgewater initiative that would surround the concert hall. This would be a £110m scheme or series of schemes including 250,000 sq ft of office space, housing, leisure facilities and the re-construction of a canal basin.

The Bridgewater initiative, named after a main thoroughfare in the area, now looks certain to go ahead.

Another prestige development, Merlin's plan to develop the Great Northern Warehouse opposite G-Mex into a festival marketplace, at a cnst of £100m, seems temporarily to have fallen out of bed.

A third showpiece scheme, the Grand Island development on the British Gas Gaythorn site, is definitely proceeding and shnuld be completed by 1992 at a cost of £25m. This is an office building which will house 600 employees nf the British Council which is moving to Manchester.

The CMDC and other local businessmen are delighted at capturing such a high profile relocation. Getting snch well known semi-pnblic bodies to move to Manchester shows, as does, the Metrolink, the international airport, the inner city regeneration and the aspirations to host the Olympic games that Manchester is embarked on a renaissance as a great city.

TRAFFORD PARK INDUSTRIAL ESTATE

Factories come first

TRAFFORD PARK claims to be Britain's first industrial estate: the first factories were built there beside the Manchester Ship Canal in 1896.

By the Second World War, 75,000 people worked in Trafford Park and it was thought to be the largest industrial estate in Europe.

It has since declined.

By the beginning of the 1980s Trafford Park faced big problems. Fewer than 25,000 people were employed there. Although communications had improved outside, the roads and railway inside the estate were in need of repair. Not only was new investment not forthcoming, but companies were leaving because of the ageing and deteriorating environment. It was feared that some of the well known concerns with which Trafford Park had become associated – Kelloggs, Ciba-Geigy, GEC – would look elsewhere.

The Trafford council was aware of the problems but lacked resources to tackle them. Eventually the council got together with a number of local manufacturers and in the mid 1980s pressure was put on the government to set up a development corporation.

This was achieved in 1987. The corporation covers 3,000 acres and includes a non-contiguous 250 acre site at Irlam, which used to be a steel works. The UDC was originally given a £160m budget over 10 years. It was hoped that this would generate at least £500m of private sector investment and create 16,000 new jobs

Mr Michael Shields, the chief executive of the UDC, estimates that by the end of the 10 years around £200m will have been spent and that in the long term about £1bn of private sector money could be invested.

So far the corporation's chief achievement has been to arrest the decline. Since the UDC was set up some 200 new companies, inclnding small ones employing no more than 50 people, have been set up. There are now just under 1,000 companies in area. More than 2,000 new jobs have been created taking the total employed there to more than 27,000.

This has been due partly to new factory building and partly to promotion of what is on offer. Trafford Park is near several motorways and the international airport. There is a skilled workforce in a large population base, and Manchester claims to have the largest university campus in Europe.

The corporation has set up various training schemes for new small companies arriving at Trafford Park. The revival has also been helped by the fact thet part of the corporation's area was designated an enterprise zone, where companies could receive rates holidays and tax advantages when building offices or factories. Most of the enterprise zone land has now been taken up.

Much of the money spent so far has been in improving the environment and ending the dereliction. Trees have been planted and roads and buildings have been refurbished.

But major projects are still in the pipeline. For example, the corporation originally estimated that it would spend half its budget on improving communications and infrastructure.

The centrepiece is to be a dualled road across the ship canal linking the M602 and thus the M62 in the north with the A56 and the M56 and M6 to the south.

But progrese has been impeded by the fragmented land ownership in Trafford Park, which had contributed to the estate's decline.. Multiple ownership made it difficult to establish new greenfield sites.

To build a major road through the middle of the estate has meant compulsory purchase orders and time consuming planning inquiries. Permission has now been obtained, however, and the road will be built.

It is clearly needed. Access from Manchester is at present across a single bridge which becomes frequently clogged.

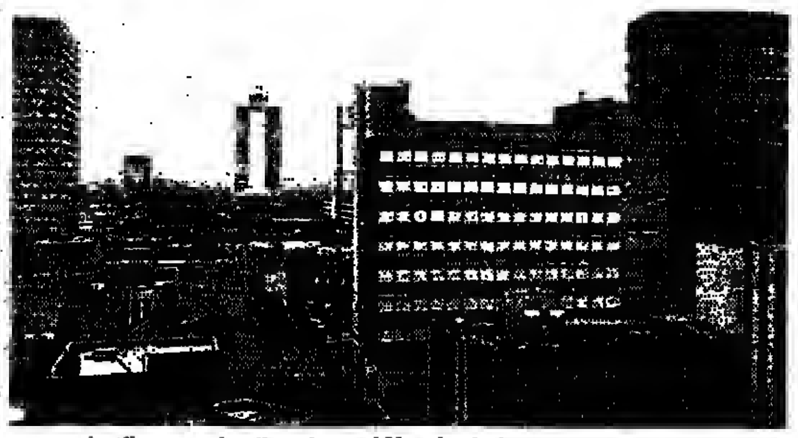
The difficulties of land assembly have also meant problems on two of the three major sites earmarked fnr development, Trafford Wharfside and the Village. (A third, Irlam, does not have such problems.)

At the Village, the heart of Trafford Park, the aim is to redesign the area to meet the needs of small and expanding businesses. This 770,000 sq ft development will provide shops, cafes, pubs, banks, small industrial units, managed workspace and a business services centre. But progress has been slow because of the lengthy compulsory purchase procedures.

Along the Wharfside area which runs parallel with the road and canal opposite Salford Qnays, the land has been easier to put together. There the Ship Canal Company is pntting final tonches to a 77,000 sq ft office development called Quay West and to Samuel Platts restaurant and public house.

One day there may be more than 2m sq ft of commercial and industrial floorspace along the canal. The recession, however, has led the corporation to take a more cautious approach. Instead of developing all the canal frontage, it plans to develop parcels of land with owner occupiers. Trafford Park will be regenerated but not as soon as once expected.

Stewart Dalby



THEN AND NOW: More than half a century separates these contrasting views of Manchester's commercial centre

Financial professionals find strength in unity

A forum with muscles

MANCHESTER'S answer to the City of London is its "square half mile", a higgledy-piggledy network of old streets between the Town Hall and Piccadilly Gardens.

It may seem pretentious to compare itself with the capital's square mile, but in regional terms the point is a fair one, as Mr John Moran explains.

"This place works by people being able to walk round the corner and do deals. You can call a lawyer or accountant on the phone and be in his office in only minutes, doing business," he says.

Mr Moran runs County Natwest in Manchester. The merchant bank has been operating there for 20 years. It still has 18 staff, just as it had a year ago, so people have still been walking round corners to do deals even in recession.

Of course, the deals are generally smaller than in London, but this also fits the picture. Manchester has developed its niche and is managing it well. Increasingly, services only London used to provide are available locally, usually at about half the price.

It is a message that the Manchester Financial and Professional Forum hopes to hammer home locally, nationally and abroad as never before.

The forum has this year taken a quantum leap in profile. It was formed five years ago to try to pull together the strands of what was then still an emergent financial and professional services sector. All the professions were represented and there were many famous firms, but coherence was lacking.

London's Big Bang and its increasing internationalisation suddenly made the yield from a lot of small regional business too low to bother with. All of Britain's regional centres benefited, but *few more* than Manchester, which already had a critical mass to be pulled together.

The forum did this in a rather gentle way but has suddenly grown muscles. Before, it was run voluntarily, "on the side", by such heavyweights as Mr Alan Watson, the agent for the Bank of England, and Mr Tony Smith, one of Barclays' senior managers.

The big change came last November when Mr David Baker retired as Mr Watson's deputy at the Bank of England and became the Forum part-time administrator. Subscriptions have beeo raised from £100 e year to £500 in order to pay Mr Baker and provide funds to do something.

He operates from the offices of Manchester Chamber of Commerce and Industry. "It's not that the person is important except to sct as a link," he says. "My role is that of an enabler, to help to properly harness the time that people are able to give, to make sure that contributing to the forum's work does not become a burden for any individual."

The sole candidate to be the forum'e next chairman is Mr Lionel Freedman, senior partner of solicitors Alexander Tatham. He says this self-effacement understates Mr Baker'e value because his former role at the Bank gave him almost unmatched knowledge of the financial and professional community in Manchester. The forum will now work more closely with Inward, the north-west's inward investment agency, and the urban development corporations to use Manchester's emergence as a stand-alone financial centre as a selling point for attracting relocations.

The 90 corporate or institutional members who pay the forum's bills will provide any examples needed of what is on offer. Five professional bodies are members – representing accountants, lawyers, stockbrokers, actuaries and surveyors.

No sector could be said to be in any way weak, with some providing probably surprising examples of Manchester's strength. Hongkong bank, for example, now does as much work in Manchester as in London. It set up in Manchester 16 years ago because of the area's history and culture in textiles and now claims to be the city's biggest international bank.

Even if local textile manufacturing has declined, the north-west still remains Britain's biggest import centre for textiles because of trading know-how – most of the world's cotton is still traded under legally binding Liverpool rules, for example.

On the hack of this, Hongkong Bank has 90 staff, five more than last year, providing international banking services, trade finance and treasury and hedging facilities for the likes of Littlewoods and Grattan.

"We are *probably now* the biggest international trade organisation outside London," says Mr Bernard Payne, the manager. "Last year, we did £1bn-plus out of this office."

Manchester has nearly 60 licensed banks, ranging from clearers to international operations such as Sanwa and Fuji. A locally-grown newcomer is Davenham Trust, a management buyont from the distressed Burns-Anderson financial services group.

Mr Colin Davenport, the managing director, used to run the large Manchester branch of ABN, the Netherlands bank, which now provides one of Davenham's lines of credit. "We see ourselves as a small merchant banking operation with a role to play among smaller businesses," Mr Davenport says.

Apart from County Natwest, large merchant banking operations inclnde BZW and Rothschilds – the latter's most recent piece of ingenuity being the Peel Holdings' purchase of Manchester Ship Canal from Largs, the family business of Mr John Whittaker, Peel's chairman.

Stockbroking remains profitable, according to Mr David Adams of Henry Cooke Lumsden, which has £1.5bn "under influence". Allied Provincial has just moved its marketing department to Manchester from Leeds under the former northern Stock Exchange chief Mrs Ann Green. She says that half of the *business's 65,000 private clients have* dealt at least once in the last six months.

Of the other professions, all the leading firms of accountants are preseot in force, many with a wide range of consultancy services also on offer. Greater Manchester also has a strong base of actuaries.

Not everything is rosy. Edington, Henry Cooke group's merchant bank, went into administration last month because of too many eggs in its deposits basket from nervous local anthorities, most of which withdrew at once.

Kleinworts, which had e representative office in Manchester, recently called it a day. But generally Mr Baker believes that the forum has a very strong, positive story to tell.

Ian Hamilton Fazey

AIRPORT-RELATED PROPERTY

Spin-off for the developers

MANCHESTER airport has always attracted corporate office users, but until the 1980s they tended to be confined either to industrial estates or to small stand alone offices built in vast quantities by local developers. Most tenants went to the salubrious North Cbeshire suburhs of Wilmslow and Alderly Edge, creating the so called "Golden Triangle".

Today, the airport is the most important influence on local property development. The potential is immense, yet there is a feeling that the market has not taken full advantage. The annual take up of space in South Manchester is around 500,000 sq ft, from companies such as Olivetti, Thorn EMI, Sun Microsystems and IBM. Yet until 1988 there was not a single modern business park close to the airport.

The lack of any common strategic planning policy between Manchester, Trafford, Stockport end Macclesfield, the authorities with most to gain from airport related development, has meant that most new projects have been on infill sites. Anything over 50,000 sq ft is marketed as a "business park".

The supply side has lagged behind demand to an alarming extent and big space users have had to build for themselves. Refuge Assurance decamped from its landmark city centre building, designed by Alfred Waterhouse, to e greenfield site in Wilmslow, while Barclays Bank went to Knutsford and McCann Erickson to e former Manor House in Prestbury. Siemens, which wanted 350,000 sq ft for its northern headquarters, has just completed a stand alone building at Didsbury, having decided that there was nothing remotely suitable on the market.

Developers who have built to demand have enjoyed considerable success. The prime example is the Concord Business Park in Wythenshawe, a 230,000 sq ft project by Birmingham-based St Modwen.

The development was pre-let to British Telecom and Ferranti and then sold to Ossory Investments for £26m. Ken Knott of Manchester based Amec Properties acknowledges that the snpply side of the market has not reacted to demand quickly enough, but says that developers cannot take all the blame.

Some attempts are being made to remedy this. Ringway Developments, a public and private sector owned company, has been set up to exploit the development potential of the airport. The three private sector partners, Peel Holdings, Amec and CIS, own 51 per cent of the equity, while the rest is held by the 10 Greater Manchester boroughs through their ownership of Manchester Airport.

Ringway Developments is now on site with the Manchester Business Park, the first scheme in South Manchester which can justifiably use the business park title. The project, at Wythenshawe, required close co-operation with Manchester City Council to assemble the land.

A planning application for e second business park in the area was submitted this month by Capital and Counties. It is proposing a 500,000 sq ft park on a 68 acre site at the Cheadle Royal Hospital in Stockport.

In a sense, both schemes are reactive and the problem of capitalising on the strategic long term importance of the airport remains. Site availability is the key issue. Ken Knott argues that the preparation of Unitary Developmeot Plans allows local authorities e unique opportunity to look beyond immediate needs. Amec Properties, with Scottish Life Assurance, has emerged with an imaginative scheme to build a 350 acre country park estate dedicated to research and development.

The project is aimed specifically at a handful of technology led multi national corporations and formal links with the city's universities will be offered to potential tenants. The proximity of the airport, a one minnte drive away, is the major selling point.

The scheme will provide some of the best corporate accommodation in Europe, but it faces one major difficulty: Davenport Green is part of the Greater Manchester green belt.

The developers are now lobbying Trafford Council to have the site taken ont of the green belt as part of the borough's UDP. In return they are offering to create a Charitable Trust which in effect donates the agricultural estate to the community.

For Trafford Councillors the political consequences of allowing development may be too great to contemplate, but support for the scheme from organisations like the Central Manchester Development Corporation and Inward, the North West Inward Investment agency, suggests that a wider perspective may be needed if the region is to capitalise on the long term benefits of airport expansion.

Martin Regan

Solicitors mount fee challenge to London

Legal bonanza

QUESTION: If something costs £140 in one place but £280 in another, is ths customer who chooses the cheaper price really getting a bargain?

ANSWER: It depends on the match of quality and quantity of what is on offer in the two places.

The £140 figure is s typical hourly rate for a partner's time at the Manchester law firm of Addleshaw Sons & Latham. The £280 price is that for a London solicitors which Addleshaws knows well.

Mr Paul Lee, managing partner and chairman of the Addleshaw executive board, seys that Manchester advice for corporate clients is now as good as London's.

Moreover, Londoo firms attempting to keep prices down may well provide a less costly, less experienced solicitor to do most of the work. If the client visits London sporadically, this person may cbange between visits; if the client spends a good deal of time in London, there is tbe cost of travel, hotels and time awey from base to take into account.

"If you think that a firm in Manchester is as good as a firm in London, you are stupid to go to London for your advice," Mr Lee says bluntly.

"In our experience clients need continuity and they usually want a team. They want to know three or four peopie who are each familiar with their husiness. We have tried to make sure that at least two partners always know the work of a *particular clieat*, with supporting, qualified staff always available."

The message seems to be getting throngb to the market place. Addleshaws had 19 partners in 1988 and 27 other fee earners in a total staff of 123. Today there are 35 partners, 50 other fees earners and 241 employed in the firm.

The turnover of the firm has been growing rapidly as a result. Mr Lee will not say by how much, but few in Manchester would be surprised if Addleshaws were not heading for more than £10m in its current financial year.

What makes this all the more remarkable, however, is that Addleshaws is no isolated example. The legal services market in Manchester is everywhere in a state of almost frenetic, unplanned growth.

What was until recently thought to be a gap in tbe city's network of financial and professional services – and overshadowed by Manchester's great rival Leeds – has been plngged with a vengeance. Addleshaws' resurgence is parallelled by similar growth among local competitors, with new ones emerging.

Mr Lee admits that until recently Addleshaws, one of the more established Manchester firms, was slumbering comfortably, along with many others in tbe city. Tbeir awakening has been startling.

Youtb predominates. Mr John Jackson, who runs the Mancbester office of Davies Arnold Cooper, is still in his thirties. So is Mr Soren Tattam, bead of the corporate department of Pannone March Pearson. At Chaffe Street, the brotbers Jobn and Robert Street are still well short of the prime of life.

Chaffe Street is almost a start-up business its own right. In 1983 it spun out of the six-office Stockport firm of Harold Chaffe & Co with three partners and now has nine. The firm has 22 lawyers in all and uses higb technology to keep down its supporting staff to 18.

This tight control of overheads has been achieved despite rapid organic growth that has seeo turnover rise annually by more than 45 per cent for the last three years. The firm has not just attracted notice, but transfer of an expe-

Paul Lee: why travel south?

rienced partoer from hoth Alsop Wilkinson and Pannone *Blackhurn, two other thrusting* Manchester firms.

Pannone Blackburn's thrust has even driven it into marriage witb March Pearson & Skelton to establish a broader multidisciplinary firm of Pannone Marcb Pearson. in size it compares with Addlesbsws, having 38 partners, 80 fee earners and 250 total staff.

Mr Tattam, who is of Swedish descent and doubles as the Swedish consul, says that the market for locally-provided legal services is growing so quickly that there is plenty for all.

"It is in all of our interests for the profession to grow in Mancbester because it will help attract work into the city from London," he says.

The Street brothers point out that Manchester firms are also winning market share in London itself, undercutting London competitors on their own patch and bringing the back-room donkey work back to Mancbester wbere overbeads are lower.

Mr Tattam believes that a critical mass bas now been attained in Manchester that will belp recruitment and ensure a level of training on the job that could previously only be had in London.

This will enable the profession to feed on itself and grow even more, with no need for ambitious young lawyers ever to move to London for experience.

"There is now a good base of strong corporate firms in Manchester. The network of professional services has grown dramatically. There has been a big movement of clieots ont of London. And why not? We are just as good as London firms in most respects," be says.

To prove the point, Pannone Blackburn's dowry included s recently-awarded BS5750 quality assurance certificate, which Mr Tattam says is the first in Britain won by a firm of solicitors.

Iocideotally, Paooone Napier, anotber firm associated with the well-known Mr Rodger Pannone and famous for its handling of the Piper Alpha victims' compeosatioo case, continues in its specialist niche of class actions after disasters.

Manchester's legal network now ioclndes Dibb Lupton Broomhead and Prior, which has expanded from Leeds where it is led hy Mr Robin Smith, anotber go-getter. The firm, which also has a strong base in Sheffield huilt on the long-established former firm of Broomheads, is the largest outside London, according to the legal trade press.

Alexander Tatham is also stroog and has gained a national name for its successful class representation of victims of the Barlow Clowes collapse. It was able to do this because of experience gained in other cases of failed funds management. This year It set up a specialist investor protection unit to pursue the niche further.

Lace Mawer Is another merger product – formed by Manchester's Mawer combining forces with Lace's, one of Liverpool's more experienced commercial law firms, and so pulling e significant part of north-west corporate business into the Manchester hinterland. Meanwhile, Halliwell Landau, which was established in Manchester in 1975, is proving its innovative flair wltb direct mail marketing of its latest intellectual property service to industry and commerce.

Its 14 partners and 101 staff handled 35 deals involving considerations totalling more than £500,000 last year, demonstrating the sort of productivity that a medium-sized firm can now attain in Manchester.

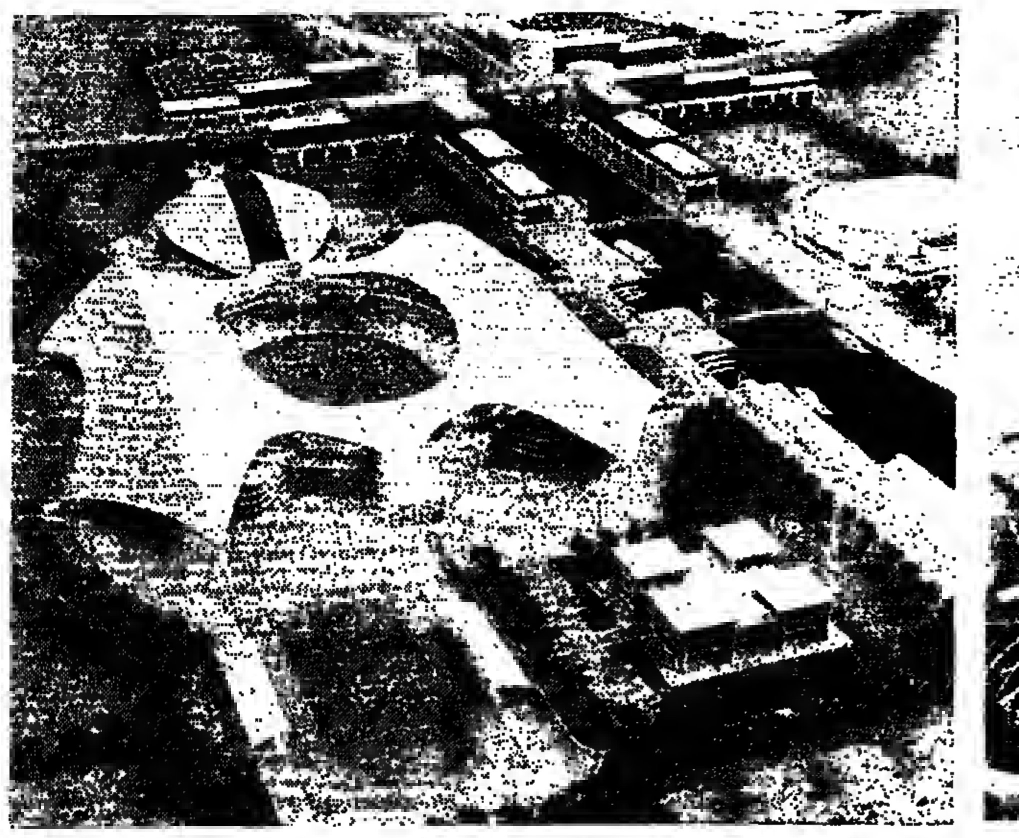
Sucb attractions last year helped persuade Davies Arnold Cooper to become the first London firm to colonise Manchester by taking over the locally based Maurice Rnben Clare.

"London lawyers at Mancbester prices" is the slogan tbat trips readily off the tongue of tbe energetic Mr Jackson, who had himself emigrated to the Manchester firm a few years ago.

"I think it's fair to say that I am one of those who thought the north began at Watford," he admits. "But I soon discovered the region'e quality of life and superb communications."

Sncb attractions bave just persuaded e northbwardly mobile banking lawyer from London to Manchester rather than Leeds. Mr Jackson thinks this is a definite sign of the improving quality and prospects of the law as a professioo in Manchester.

Ian Hamilton Fazey



Encouraged by the Princess Royal (right) and others, Greater Manchester hopes that its proposed Olympics centre (left) will become a living reality

North-west becomes Britain's challenger for the first 21st Century Olympics

Marathon campaign starts well

BY BEATING London for the right to stage the British bid for the Olympic Games of the year 2000, Manchester has suddenly grown in stature.

When it knocked out Birmingham to be Britain's bidder for the games of 1996, it could have been dismissed as merely one of two provincial cities squabbling over which deserved second place after London.

Indeed, when Manchester eventually came next to the last in the six-city race for the 1996 Games (the winner was Atlanta, Georgia) a London bid for 2000 was announced within hours by Mr Sebastian Coe, Britain's Olympic athlete, now in training for a political career.

It was argued that only London could win for Britain and that a London bid for the 2000 Games would show that Britain was serious about staging the Olympics. But Mr Coe came unstuck in the first-round beats in April, when the British Olympic Association again chose Manchester and the north-west for the right to bid.

The plan, as last time, is to spread the games around the region, using existing or planned facilities, but with Manchester, the regional capital, taking the lead.

With its 7m people, the north-west is comparable with London in population terms, but it also has many things that London lacks. There is space for development and existing or exploitable sites on which to stage the sports. Above all, there is a basic transport infrastructure, particularly motorways and an international airport to cope with the daily movement of millions of people.

Manchester's bid also has formidable leadership in the shape of the Duke of Westminster, who lives near Chester; Mr Bob Scott, an impresario who saved Manchester's commercial theatre; and Mr Graham Stringer, the highly educated moderate Labour leader of Manchester city council.

London, with its hopelessly clogged roads and its local government too fragmented to form even a simple alliance, could not even muster the support of one local authority for Mr Coe's bid. It was doomed on sheer practicalities.

It is ironic, therefore, that the main argument in favour of London – its status as the nation's capital and one of the great cities of the world – is also being presented as one of Manchester's most important selling points.

The city claims that since it beat London for the bid, it really must be the best that Britain can offer. Therefore Britain must back it to the hilt and London, as a gracious British loser, must campaign for Manchester's ultimate victory.

That at least is what Mr Scott hopes will happen. The bidding is now entering the first of three distinct phases. The first is to get Britain united behind the bid, the second is to ensure that facilities for eight sports are well ahead in planning and physically visible for three of them, and the third is to sell the idea to members of the International Olympic Committee, which will make up its mind late in 1993.

In the wake of the 1996 bid, Mr Scott believes he will have little trouble in raising the money to campaign for 2000. Last time he raised an immediate £2m from north-west industry and commerce and had to go back for another £1m.

This time his initial thought was that £3m would again be enough, but his first draft budget has come out a shade under £4m thanks in part to a doubling of projected spending on advertising and promotion. He thinks £5m may eventually be needed. His faith is based on the broad support of large companies for the 1996 bid which united the region as nothing before and boosted its business confidence. This time, optimism will increase at least until the end of 1993. If the bid then succeeds, few doubt it will herald a six-year regional economic boom.

An independent economic study for the 1996 bid put the potential national economic benefit at about £2bn. With such prospects, Mr Scott thinks that even the government must now sit up. Little will be heard about the bid for the next 15 months.

With the IOC members preoccupied with the 1992 games in Barcelona, Mr Scott will use the period to secure the bid's finances and persuade the government to give whole-hearted support.

This will be more tricky than previous British Olympic bidders realised, but Mr Scott now has the benefit of having travelled down a learning curve.

The government showed its lack of excitement about the Birmingham bid for 1996 by entrusting it to the Cabinet's "H" committee, which deals with home affairs.

Ian Hamilton Fazey reports on how Manchester left London standing

Manchester's last bid won the attention of the Cabinet's somewhat heavier "E" (for economics) committee. This was an acknowledgement of the games' potential impact on the national economy.

Mr Scott and his influential allies in industry, commerce, politics, the civil service, the Royal Family and the aristocracy are now lobbying to get the 2000 bid on the agenda of one of the Cabinet's General (formerly known as "Misc", for miscellaneous) committees.

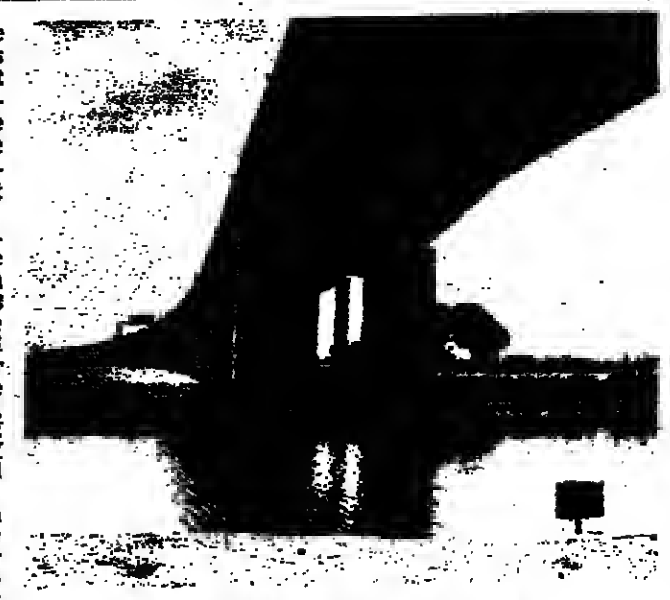
This would place it before a swathe of senior ministers representing various Departments of State.

Fortuitously, Britain now also has a Prime Minister and several Cabinet colleagues who watch sport more enthusiastically than Mrs Thatcher and some of her own ministers.

It is not money that Mr Scott wants from government but enthusiastic vocal and physical support from the Prime Minister at critical stages of the IOC's deliberations.

Manchester's rivals will be Berlin, Sydney, Peking and, possibly, Paris, Brasilia, Milan and Istanbul. Thanks to the sale of television rights, the games themselves, will be profitable. Stadia and facilities will have to wash their own faces financially over decades to follow, with – in Britain's case – a new Olympic stadium functioning afterwards as the north's much-needed answer to Wembley.

This time, Manchester really means it in a way it could not have done last time because Mr Scott was still learning. The training is now over. It is time to play for keeps.



The M63 bridge over the canal: focus of the contest

SHIP CANAL COMPANY

Battle for the golden acres

JOHN WHITTAKER, the northern developer who chairs Peel Holdings, is about to start the last mile towards his six-year-old goal of unlocking the land and property assets of the Manchester Ship Canal Company, which Peel now almost controls.

Actually it is a mile-and-a-quarter, most of it over the daunting structure of Barton Bridge, which carries the M63 motorway at a height of more than 100 feet above the canal at Barton Cross in Greater Manchester. Lodged in the south-east corner of the cross, at Dumplington on the edge of Trafford Park, are 300 acres of greenfield development land owned by the canal company.

This was the prize for which the bitter takeover battle for the canal was fought by Mr Whittaker in 1985-87. Technically, he won, but final victory remains elusive.

The site is perfect for a regional shopping and leisure centre. The one Mr Whittaker wants to build would cost about £150m and would live off up to 7m people within an hour's drive. The government stalled on planning permission last month but will let him build it if he spends about £15m on widening Barton Bridge to head off the traffic problems the centre would otherwise cause.

Only one thing stands in Mr Whittaker's way – the hon. Nicholas Berry, who is also a property developer and the principal minority shareholder in the canal. If there is not animosity between the men, there is certainly a palpable tension and edge. "There is no way we could or would ever work together," Mr Berry told me last month.

It is the stuff of soap opera. Both men are approaching middle-aged prime, but are very different. Mr Whittaker is a self-made property prince of the Thatcher era. He talks Lancashire, wears Union flag ties, refuses interviews because of shyness and believes in managerial teamwork based on what he learned playing rugby for Bury and Fylde – though what the skipper says, of course, goes.

Parliament must approve changes in the use of assets

Mr Berry is the son of Lord Hartwell. His playing fields were those of Eton. Christ Church College, Oxford, followed. He is gregarious, charming and always acts so as to understate the social superiority conferred by birth. He talks with the easy, unforced, upper-class drawl of the British establishment and is the gentleman to Mr Whittaker's player. Each is tremendously likable; they just do not like each other.

The roots of conflict go back to the takeover battle and Mr Whittaker's tactics. The canal company, with its statutory navigational burdens, was not the sort people thought ripe for takeover.

However, Mr Whittaker – then a rising but still relatively small property developer who had begun by buying old red-brick northern mills and doing them up – had spotted three things about the company. It had about 6,000 acres of exploitable land; its management seemed asleep; and there was a back-door way to win control.

The company's 8m shares were divided equally between ordinary and preference stock. The latter shares were unpopular because they offered investors little benefit, but they carried equal voting rights to the ordinaries. From 1985 onwards, Mr Whittaker started buying them cheaply, along with any ordinary shares he could also obtain.

By the time the ship canal management woke up to what was happening it was too late. Mr Berry, a significant shareholder who was then chairman of Harrap, the publisher, eventually came in as chairman to lead the incumbent management's last stand. But when the smoke cleared, Mr Whittaker had half the ordinary stock and more than 80 per cent of the preference shares, amounting 68 per cent of voting rights.

He had bought through Highams, an industrial textile business he had acquired with its mill. Soon he passed on the stock to Great Hey, an investment vehicle owned by his private family company, Largs. This is where he does most of his business: Peel Holdings, the quoted property company he half-owns, is the public window through which the market can largely watch him at work.

With the canal's ordinary shares trading at more than twice the offer price of £7, those who had not sold to Highams decided to hang on. They believed Mr Whittaker had won cheaply because the Dumplington site had been undervalued.

Mr Berry, now the largest personal shareholder with 700,000 ordinaries and most of the preference shares not owned by Mr Whittaker's interests, has held them together – an alliance of pension funds and institutions, plus 2,000 small shareholders organised by Mr Grahame Elliott, an accountant and a mainstay of Greater Manchester's Conservative Party.

To do anything significant with the canal's assets Mr Whittaker needs a Harbour Revision Order from Parliament to change the company's articles, as well as separate 75 per cent majorities of preference and ordinary shareholders. Mr Berry has enough shares of his own and proxies to block him.

Great Hey has made several offers, building to £20 per share plus £5 deferred premium for Dumplington, if developed, earlier this year. Mr Berry would have settled for a £10 premium but suspects that the heavily-borrowed Largs group did not have the resources, given the recession, to guarantee it.

Last month, Peel announced that Largs intends to sell its 68 per cent stake in the canal company to Peel for £79m in cash and paper, bolstering Peel's sagging balance sheet and reducing gearing so as not to breach banking covenants.

Peel, still strapped by its £304m acquisition of London Shop in 1989, must now exploit the ship canal's land assets to maintain stock market confidence, and acknowledged this when announcing the deal. Mr Berry now sniffs a chance to break the stand-off between himself and Mr Whittaker.

For the first time, he says that something other than a cash deal might be considered. An exchange of portfolios with Barlows, the Chester-based quoted property investment company chaired by Mr Berry offers possibilities, although he refuses to contemplate partnerships or joint ventures with Mr Whittaker.

Splitting ship canal property assets from the increasingly successful and profitable port operations at Ellesmere Port and Runcorn might offer one way out, with the port remaining quoted in its own right.

Another approach might involve a deferred premium for Dumplington based on a future and continuing share of rental values there. Mr Whittaker and his camp say they are always willing to talk. First, however, there is that last mile-and-a-quarter to travel over Barton Bridge.

Mr Robert Hough, the ship canal company's chairman, says paying for widening the bridge should be no problem. Dumplington is in the books at £50m, so £15m spent just to open it up would be cheap – especially if it becomes worth the £200m Mr Berry thinks it might.

Ian Hamilton Fazey

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RECRUITMENT

JOBS: American researcher claims IQ scores largely reflect circumstances of upbringing

Better to be born rich than 'intelligent'

WOULD readers care to have a try at the following puzzle? It is an addition sum in which three numbers have been translated into three men's names; the top two of which add up to the third. Each digit from 0 to 9 is always represented by the same letter, and the task is decode the letters back into figures.

GERALD
\+
DONALD
= ROBERT

I face you with the task, not out of sheer mischief, but to illustrate an issue which is often decisive to people's career prospects. For solving the problem calls for some of the capabilities widely believed to be essential for success in work depending importantly on the mind – numerical and verbal reasoning skills of the sort measured by tests of the Intelligence Quotient kind.

My example, however, is not a standard item from such tests. It mixes those two types of reasoning in a particularly confusing way.

The skill needed to solve it is in applying the rules of arithmetic, and folk with a mathematical cast of mind usually have no trouble with it. But the fact that the problem is couched in letters seems to bedevil literary-minded people I have faced with it. Few of them seemed able to visualise it as a sum and so failed to twig, for instance, that E must be either 0 or 9.

The items used in the tests are typically less machiavellian, and the psychological trade no longer calls what they test "intelligence". That is presumably because the trade has now accepted that ability to reason out the solutions to already defined problems is only a small part of "intelligence" as the word is commonly understood.

The term psychologists now use for what's tested is "ability" – which is worse. While I could live with the information that I lacked intelligence, being told I had no ability would surely depress me.

Even so, the tests under their new maladroit designation are greatly popular with recruiters. Moreover their use may well increase as a result of disputes between psychologists about the accuracy of personality tests in indicating working abilities. As far as I can see, the disputes are just a technical – and probably even more so, a commercial – smoke-screen because only a half-wit would take psychological tests of any kind as reliable indicators of what people will do at work.

All such tests can do in themselves is to provide hints about people, so suggesting lines of inquiry which might wisely be pursued by a skilled interviewer. But that unfortunately does not stop recruitment witchdoctors from purporting otherwise.

In particular, some are saying that despite the trade bickering over personality tests, they are helpfully accurate provided they're used in harness with the so-called ability tests. On past experience, there will be no lack of employers to swallow such sales talk, with the result that IQ-type measures will play a growing part in selection for skilled jobs.

The crucial question, therefore, is whether such reasoning tests really identify generally applicable abilities conducive to success in tasks depending much on the use of the mind.

Since the time of the first world war, the conventional wisdom has been that they do. What's more they are widely believed to identify the ability to succeed, not only in academic education, but also in the world of work.

One of the main grounds on which they are seen as indicative of worldly success is a large and long-running study made by the late American psychologist Lewis Terman. Around 1918 he picked out 1,528 schoolchildren with "genius" IQ scores of 136 to 200. He then checked on their career progress regularly, comparing them with the generality of similarly aged children from the same state whose average IQ was of course far lower.

It turned out that in pay, social status, seemliness of lifestyle etc, the geniuses on the whole did much better. So it was concluded that high IQ in itself indicated superior, generally applicable working abilities.

There was, however, another way in which the high scorers differed from their average counterparts. To a sharply disproportionate extent, the geniuses were children of the best off families in their neighbourhoods, no fewer than 83 per cent being from the business-owning and professional classes. So might the root of their worldly success lie, not in their being born smart, but in their being born rich?

One psychologist fascinated by that question is Professor Stephen Ceci of Cornell University. As a student of mental processes, he has noted that people of low measured intelligence often succeed at tasks requiring very complex reasoning. An example is punters able to predict from form-records and so on, not just which horses will win, but those which will do so at the most profitable odds. Those the professor has studied included some with IQs as low as 80 who picked the winner 93 per cent of the time.

Puzzled by such achievements, he decided to re-examine Terman's findings. He was able to do it because in the late 1950s the United States put 100,000 children of all sorts of backgrounds through a range of tests, and checked on their progress when they were in their 30s. Stephen Ceci has gone farther, following up a representative sample of them when they were 10 to 15 years older.

Measured Terman-style by the sole criterion of IQ, the highest scorers have done well in worldly terms. The trouble is that so have the lowest scorers. Each of those groups *has* in fact done almost almost exactly as well as the other, both doing far better than the average IQ folk between them.

But more importantly, when account was taken of differences in the people's social backgrounds, the professor found no link between IQ and worldly success whatsoever. "So if you're given a choice of being born *either* rich *or* smart," he says, "my advice is be born rich."

Nevertheless, he adds, he does not expect immediate and wide acceptance of his evidence that high scores on so-called ability test largely reflect the circumstances of people's upbringing. There is too much vested interest, particularly among people who have done well in academic education, in believing that IQ is a pure and objective measure of generally applicable mental ability.

Which, in the interests of fairness, brings me back to the decoding problem with which I started. In the eyes of traditional IQ supporters, the skills needed to solve it would presumably be conducive to success in virtually all mentally demanding occupations, practical as well as theoretical.

By contrast, Stephen Ceci's line would no doubt be that the skills amount merely to a facility in manipulating systems of symbols such as numerals and letters, picked up initially from family and theo reinforced by schooling, whose use is mainly confined to tasks dependent on the handling of language and mathematics.

If so, while the facility is at least to some degree necessary in many high-ranked jobs including some in management, it is not an essential requirement for success in anywhere near all of them. And in that case, tests measuring the skills concerned can hardly be reliable gauges of the ability to do mentally demanding work in general.

What I'd like to know from readers who have solved the decoding problem, is which of those two opposed views they favour, and the grounds on which they do so. But for the moment, having managed to solve it myself, I have no hesitation in giving my vote to Professor Ceci.

Michael Dixon

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BANKING FINANCE & GENERAL

THE NEW ZEALAND TREASURY

THE CHALLENGE

The New Zealand economy is undergoing a wide ranging reform programme.
The Treasury is the primary advisor to the Minister of Finance in the New Zealand Government, on the economic and financial implications of public policy options and decisions affecting the economy and community at large. We also have responsibility for the Government's financial position, the budget process and associated accounting and reporting functions.

Treasury plays a major advisory role in the development of economic policy, being closely involved in the reform of:

- Ownership structures of State owned business enterprises, including possible privatisations
- Social Policy including health policy and income distribution
- Regulatory policies including trade liberalisation
- Tax Policy
- Public sector financial management

WE HAVE OPPORTUNITIES FOR:

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We are seeking highly competent economists and tax analysts with proven experience in the provision of economic analysis and advice within a strong economic framework. People with good post graduate qualifications, (especially in economics, with accounting and/or law), a proven record of achievement in public policy, applied research or academic fields, and good interpersonal and communication skills are now invited to apply.

FINANCIAL ANALYSTS

The New Zealand system of public sector financial management has been fundamentally reformed with the introduction of full accrual accounting and output budgeting. We require competent financial analysts who have high, preferably post graduate, qualifications in business administration and/or accounting and finance.
Applicants should have well developed corporate finance skills to assist with monitoring and reporting on the Government's interests in state trading organisations and State Departments. This will also entail dealing with a range of policy issues arising from assessing the performance of those entities. *Demonstrated ability to* address financial management issues at the conceptual level and good interpersonal skills are also required.

MACROECONOMISTS

We have openings for macroeconomists with proven experience in handling a broad range of macroeconomic issues. Candidates should have a thorough and contemporary knowledge of current and theoretical issues and be able to apply this to public *policy analysis in a small, open* economy. Well developed oral and written communication skills are also required.

THE REWARDS

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A competitive remuneration package is offered together with relocation expenses. Permanent positions as well as fixed term contracts are available.

Initial queries

Initial queries may be directed to John Whitehead, The New Zealand High Commission, New Zealand House, Haymarket, London SW1Y 4TQ.
Phone on (071) 930-8422

OR Derek Gill,
New Zealand Embassy,
37 Observatory Circle, NW
Washington DC 20008, USA.
Phone on (202) 328-4857

OR Elizabeth Mackey,
The Treasury, PO Box 3724,
Wellington, New Zealand.
Phone collect on (64) 4 715-113,
fax (64) 4 730-982.

Formal Applications

Formal applications should be forwarded to Elizabeth Mackey at the above address. There is no application form. However epplicants must include a detailed resume including two passport photos and the names of two referees who can be contacted for verbal comment, prior to interviews. Applicants should also indicate which of the positions are of interest. All applications will be treated in strict confidence. The closing date for applications is 12 July 1991.

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An attractive remuneration package will apply.

Candidates should send full personal, career and salary details to Brian Ward at:

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Fax: Dublin 708 1122, quoting Reference Number 4296.

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Please quote ref: FT/493.

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Written C.V.'s should be sent to Box A1541, Financial Times, One Southwark Bridge, London SE1 9HL.

ACCOUNTANCY COLUMN

Directors, not auditors, govern companies

By Michael Fowle

THANKS to the recession, the subject of corporate governance is in the news: institutional shareholders are flexing their muscles; shareholders are questioning large salary increases for directors who have presided over lower profits; a new Committee on Financial Aspects of Corporate Governance, chaired by Sir Adrian Cadbury, was announced a fortnight ago.

The committee needs no advice from me – not least because my senior partner is one of its members – but I have some thoughts from an auditor's perspective.

Directors, not auditors, govern companies, but auditors have a role in corporate governance and an important voice in the debate. In terms of financial reporting, auditors stand between a company and its shareholders.

To be effective, auditors must work closely with directors and management at all levels, acquiring the respect and trust of directors and management and developing a good working relationship with them. They have an opportunity to see corporate governance at work in many clients and can compare the effectiveness of different systems in practice.

Any review of corporate governance will focus on the separation of ownership from management, the directors' responsibility to act in a fiduciary capacity, as trustees for the shareholders. A public company needs to have as directors not only executives who work full time in the business but also "non-executives", independent of its business. Most business people now accept the need for audit and remuneration committees (wholly or largely composed of independent directors) and for the division of the roles of chairman and chief executive.

Good independent directors contribute to strong audit committees and auditors know that good audit committees contribute, directly and indirectly, to a better audit. We work better when we work with an audit committee which understands the true function of an audit.

A good audit committee should also give direction on the presentation and clarity of annual accounts, and make them comprehensive, lucid and non-evasive in their content and layout. That approach, one which audit committees can insist upon, will help shareholders to interpret complex financial data. Auditors also know thet poor independent directors are worse than useless. We have worked with audit committees who see their task as second guessing the executives. We have seen others which are luncheon clubs.

We have also had the disappointment of reporting our concern to audit committees who fail to take the opportunity of acting as an independent check upon the executive. It is galling to be blamed for failing to alert a board to a risk when you did exactly that.

Independent directors represent shareholders. If they are to be effective, those who undertake this responsibility must have commercial experience, strength of character, and practical rigour.

This will be a hard nut to crack. Recent research has shown that 70 per cent of non-executive directors were known to their chairmen before their appointment. In many, perhaps most, cases these will be the right people chosen for the right reasons. But are non-executives always chosen for their strength and independence, especially when those qualities are most needed?

Many companies take great care in the choice of independent directors. Job descriptions and outlines for ideal candidates are prepared, a nominations committee is formed, a professional search is implemented. That, however, is not always the case.

Effective capital markets need audited information. The markets have an even more urgent need for strong and effective boards of directors

The role of institutional shareholders is vital in this respect. They are already making their mark, as seen earlier this week when the chairman of Asda resigned after pressure from institutional investors. As investors on behalf of their funds, they also have a fiduciary role. They have the knowledge and experience and the time to take an active and constructive interest in the management of the companies in which they invest.

If they co-ordinated their activities as shareholders, they could breathe new life into shareholder democracy. They could also ensure shareholders were told exactly how the independent directors were selected and how each will benefit the company.

The committee will be looking at "auditors' responsibilities, including the extent and value of the audit report and the appointment, remuneration, resignation and dismissal of auditors". That is a wide brief and the profession will no doubt make its views known. Three aspects of the auditor's role which are particularly relevant in the context of corporate governance are independence, the auditor's responsibility in relation to fraud, and liability.

The key to independence is the auditor's identification with his client. As auditor you must identify the company and its shareholders as your client. To do your duty by the company and its shareholders you have to work with your client's management, but you can never become or be seen to be management's poodle.

That is the auditor's rule of life and we understand it, but the world apparently does not – probably because auditors are in effect selected and removed by boards of directors and because they necessarily work behind closed doors.

If shareholders are entitled to know more about the process of appointing independent directors, they must also know about the process of appointing and re-appointing auditors. There is, though, a crucial difference: auditors may only be selected from a heavily regulated profession, there are no such constraints upon directors. Also, shareholders need to know how auditors work and what they contribute.

Auditors are part of the shareholder's protection against fraud. We shall never find every fraud: with undemanding independent directors (or no independent directors at all) skilfully planned and executed collusive frauds can go undetected for several years, even with the most rigorous of audits.

However, auditors must plan their audits to maximise the chance of detecting material fraud. Whenever they detect it, they must have a mechanism to see that it is dealt with, if not by the client's directors, then by the authorities.

As to liability, many accept that the current Caparo position is as undesirable in the long term to auditors as it is to users of accounts. Auditors are rightly wary of exposing themselves to claims from a wider class of accounts user – we are already seen as an easy target with deep pockets.

We should stand by the quality of our work. Why, however, should auditors alone pay for the mistakes (and sometimes the fraud) of others? The current balance between effective legal liability and actual responsibility is out of kilter until the underlying problems (based on the legal issues of contributory negligence in contract and joint liability in tort) are satisfactorily resolved.

The reliability of auditors' reports is a crucial factor for the functioning of financial markets. Effective capital markets need audited information. The markets have an even more urgent need for strong and effective boards of directors. The directors, not the auditors, make the difference between triumph and disaster.

Michael Fowle is senior UK audit partner, KPMG Peat Marwick McLintock

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*To find out more, contact **Inge Hacker** or **Gary Hall** on **071-629 4463** (evenings 0322-293259) or send a current CV to the address below.*

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Coca-Cola and Schweppes Beverages is the No. 1 U.K. Soft Drinks Company and is spearheading the growth of this dynamic market place. Operating with a wide portfolio of famous brands, CCSB has been highly successful since formation in 1987, and has ambitious and stretching plans for the future. Finance plays a significant role in this success and a recent restructuring has created the opportunity for two key appointments at the Company's prestigious headquarters at Uxbridge.

FINANCIAL PLANNING MANAGER

+ Significant Bonus Potential

The role is responsible for influencing and supporting the profitable development of the retail and cash and carry sectors of CCSB, by acting as a catalyst for change and ensuring that Sales and Marketing Management understand the financial impact of business activities and decisions. Specific responsibilities include evaluation of sector and customer profitability, review of pricing proposals and account negotiations, identification of profit improvement opportunities and analysis of strategic options.

FINANCE MANAGER – DISTRIBUTION

Uxbridge

This role provides financial, analytical and business support to the Distribution operation – a key business discipline within CCSB. Responsible for a department of 15 people, the role provides a management accounting service incorporating performance monitoring, forecasting and budgetary control for 3 significant areas of the business – bulk haulage, local distribution and full goods stock control. The role is ideally placed to make a significant contribution to the successful performance of the Distribution operation.

Both roles are high exposure entry points into the organisation and therefore not only require sound technical ability, but also high levels of business acumen and communication skills, in order to take a proactive stance to influencing business performance.

For further information and a confidential discussion, contact our consultants **Howard Foster or Paul Goodman on 071-387 5400** (evenings **0727-55639/081-445 0666**) or write to them at **Financial Selection Services,** Drayton House, Gordon Street, London WC1H 0AN.

Please note that all CV's will be forwarded to F.S.S.

FINANCIAL SELECTION SERVICES

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As well as having a taste for challenge and variety you are likely to fulfil the following criteria:

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If you feel you have a 'nose' for consultancy please write, quoting reference MCS/8610 and stating your preferred location, to Anita Harris, European Financial Services Recruitment Manager, Price Waterhouse Management Consultants, Milton Gate, 1 Moor Lane, London EC2Y 9PB.

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Management Consultancy

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Assistant Financial Controller

A new, challenging role for an ambitious young professional to strengthen the central finance team of this highly successful, acquisitive, and rapidly changing top 100 company. An ideal career step involving a wide variety of project, analysis and statutory work, leading to FD opportunities with UK or internationally oriented subsidiaries.

THE ROLE

- Reporting to the Group Financial Controller, a key member of the central team of financial experts, working closely with management of UK and international subsidiaries.
- Analysis and consolidation of subsidiary finances, assisting in the setting and control of budgets and cost reduction exercises throughout the Group.
- Frequent involvement in group strategic planning, acquisitions, substantial capital appraisal, project finance and tax planning. A broad and challenging range of ad hoc assignments.

THE QUALIFICATIONS

- A fast track career professional, probably aged around 30, graduate intellect, computer literate, trained with a major firm and exposed to board level issues with blue chip companies.
- A variety of experience, to include a progressive career in financial and management accounting, with one or more top industrial companies.
- A positive, pro-active approach, with the stature to influence and stimulate ideas within a tightly knit corporate structure. Clear potential and ambition for rapid career progression.

London 071-973 0889
Manchester 061-941 3818

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Please reply, enclosing full details to: Selector Europe, Ref. F165061M, Bridge House, Ashley Road, Hale, Altrincham, Cheshire WA14 2UT. 061-941 3818

Financial Controller and Administrator

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▪ Balderston Warren is an old-established firm of Solicitors committed to efficient and personal legal services for both private and business clients which has, over the years, led to a steady expansion. They now operate from four locations covering North Hertfordshire and Mid-Bedfordshire.

▪ The Partnership requires a Financial Controller and Partnership Administrator to assist with the management and development of the Practice, who must maintain tight financial control and provide regular management accounts and recommendations to maintain and improve the efficiency and profitability of the Practice. The applicant will also be responsible for staff management including maintenance of personnel records and overseeing the efficient working of the Practice.

▪ The ideal person will be aged 35+ and seeking a long term position. He/she will need to demonstrate an excellent track record of debtors, WIP and cash flow control.

▪ Please write with a full CV to Lynne Waterhouse, Recruitment Consultant, Ernst & Young, 400 Capability Green, Luton LU1 3LU.

ERNST & YOUNG

CITY BROKERAGE

c £35,000 + SUBSTANTIAL BENEFITS PACKAGE

Financial Controller

Our client, a leading and long established member of the London Metal Exchange, is a successful, progressive and forward looking organisation with a large multinational client base. It is seeking to appoint an experienced financial manager to strengthen its small cohesive management team.

Reporting to the Managing Director, you will manage and control the company's computerised accounting and finance functions, whilst ensuring the provision of accurate and meaningful management information on a timely basis to local and Group management. You will be expected to advance and implement accounting systems, procedures and controls to the highest standards, lead the organisation's treasury dealings and ensure compliance with regulatory and statutory requirements.

A graduate qualified Chartered Accountant, probably in the age range 30-40, you must be able to demonstrate a record of achievement in managing the financial/accounting functions in an efficient and economic manner. Whilst previous broking experience is not vital, a financial services sector background would be considered essential. You must be a "hands-on" and enthusiastic person with the appropriate skills and personality to adapt to and handle the rigours of a complex and fast-moving business actively pursuing considerable development and change.

Please send full personal and career details, including current remuneration level and daytime telephone number to Adrian Edgell, Coopers & Lybrand Deloitte Executive Resourcing Limited, 76 Shoe Lane, London EC4A 3JB, quoting reference AE839 on both envelope and letter.

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Finance Director

West Yorkshire

to £50,000 + Bonus + Car

MACCESS

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Reporting to the Group Chief Executive, your role will combine the strategic and operational aspects of financial management and control in a highly computerised environment. You will take a commercial interest in contributing to the operating efficiency of all parts of the Group and, externally, will have the ability to negotiate with relevant City professionals.

Holding a recognised accountancy qualification and mentally aged 35-40, you will ideally have wholesaling or retailing experience and have exposure to the requirements of being a PLC. An imaginative and lateral thinker, you will have a strong, out-going personality and be keen to commit yourself to your own and our client's future success. Prospects include potential shareholder participation in a growth situation.

Please apply in writing to Edward Bottomley with full personal, career and salary details, qoting Ref. 9161/FT.

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Initially your role will encompass a wide range of planning problems as well as having some responsibilities for the review of tax computations. Thereafter you will be considered for a secondment to the USA, Japan, Singapore, Belgium or Australia as part of a broad-based international career development.

To merit consideration you will be aged 24-30, fully mobile, and a graduate (minimum 2.1) qualified accountant having passed each part of your examinations at the first attempt. Additionally you will have had at least 3 years' corporate tax experience with a major accounting partnership. Alternatively you will be a graduate fully trained Inspector of Taxes aged up to 32.

The benefits package includes a bonus scheme, employee share schemes, and a pension scheme.

Please write with CV to: David Lear, Tax Department, The British Petroleum Company plc, Britannic House, 1 Finsbury Circus, London EC2M 7BA.

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EXECUTIVE SELECTION

Practice Accountant

c.£30,000 Bristol

Our client, a leading firm of commercial lawyers with a prestigious client base and enjoying continued growth, wishes to recruit an experienced, commercially-minded accountant to take overall responsibility for the finance function.

The role is varied offering responsibility for financial planning and control, and the development of a full range of accounting and reporting procedures. The initial focus will be to review and improve the management information provided to meet the needs of all departments within the firm. A key area of activity will also be the provision of advice to partners regarding the financial implications of strategic, tactical and operating decisions. Ultimately it is anticipated that the role will take on responsibility for the administration of the firm.

Candidates, aged 30 to 40, will be qualified accountants with at least 5 years' post qualification experience gained within the service or professional sectors. Exposure to computerised accounting systems is a prerequisite as is the ability to adopt a hands-on and flexible approach to work. Strong communication skills and maturity is also necessary to establish credibility quickly at a senior level.

The remuneration package will be negotiable commensurate with experience. Candidates should write in confidence, enclosing a comprehensive curriculum vitae together with salary details, quoting reference MCS 6/91 to: Sue Lane, Executive Selection Division, Price Waterhouse Management Consultants, 31 Great George Street, Bristol BS1 5QD

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We now have an opportunity for a Business Development Accountant to take on an exciting role in this dynamic environment. Reporting directly to the Head of Corporate Finance, you will be involved in analysing businesses, evaluating them as investment opportunities and developing proposals for financing new ventures.

A qualified accountant, probably a graduate, you will have experience in all these areas, and should have gained this through working with at least a dozen companies, either in a group role or as an auditor or consultant.

A salary of between £33K - £35K is supported by a comprehensive benefits package including company car, a contributory pension scheme and, where appropriate, relocation assistance. Prospects for career development are excellent.

If you'd like to play a part in transforming our business, send your career details to Steve Gardiner, Head of Corporate Finance, Eastern Electricity plc, Wherstead Park, PO Box 40, Wherstead, Ipswich IP9 2AQ.

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EASTERN ELECTRICITY

Publishing

INTERNATIONAL FINANCE DIRECTOR

Essex/Herts border

c£50,000 + car

Our client, Longman, is one of the world's leading information and education publishing groups and forms a significant part of the information and entertainments interests of the highly regarded Pearson plc. Expanding throughout its UK and international markets, the group is forecasting an exciting future.

A senior member of the headquarters executive, the Director will provide financial and commercial guidance to the company's international subsidiaries. Travelling extensively in Europe and Asia Pacific, he or she will review and analyse performance, assist the subsidiaries in acquisitions and business development and advise them on tax, treasury and systems issues. Responsible through a small department for the collation and consolidation of financial information for submission to the Board and Pearson plc, the Director will report to the Group Finance Director and have considerable exposure to the parent group's management. Promotion could be within the wider group.

In their mid 30s, applicants should be graduate accountants of high ability. Experience in an international group environment would be useful and excellent interpersonal skills and commercial understanding are essential.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/982/F.

STOCKBROKING SERVICES

With the prime objective to develop growth in fund management and equity sales both within the UK and Europe our clients wish to strengthen their sales operations.

UK Equity Sales
c£50,000 + profit share + car
Candidates must be able to demonstrate positive achievement in UK equities and convertibles - full research support will be provided. Ref: 22272/FT.

Private Client Fund Managers
c£50,000
Independent brokers require private client portfolio managers and those who have managed pensions and charitable trust funds. Opportunities exist for long term rewarding careers - commission only brokers also considered.
Ref: 22275/FT.

North American Equities into UK/Europe c£50,000
Positive equity sales experience is essential, complemented with transferable client base.
Ref: 22273/FT.

UK Equity Sales into Europe
c£25,000 + profit share + car
Fluency in German is required to necessitate increased new European business. Previous sales experience is essential. Ref: 22274/FT.

Interested candidates between 25 and 45 should submit a comprehensive career resume, quoting the appropriate reference number. The confidentiality of all approaches is strictly guaranteed.

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HEAD OF FINANCE, OPERATIONS AND ADMINISTRATION PROPERTY MANAGEMENT DIVISION

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We require a highly motivated proactive individual to fulfil an extremely important and responsible senior management role. As head of Finance, Operations and Administration, you will oversee all the activities of these functions including strategic planning and advice reporting directly to the recently appointed Managing Director of the Property Management Division.

With a knowledge of operational and computer systems, management and client accounts, you will plan, direct and supervise all the activities of the section, including setting budgets, quality control and the cost effective use of resources. You will also be expected to lead in the formulation and monitoring of the Division's Business Plans and Budgets.

Excellent management and leadership skills are required to undertake a positive role during a period of progressive transformation.

As a fully qualified Chartered Accountant, you will have at least ten years professional experience. A property background would be an advantage, though not essential.

While based in the West End, you will have a national responsibility and can anticipate regular travel to our regional offices. This is a Director level appointment within the Property Management Division.

In the first instance, please send your Curriculum Vitae with a covering letter to: Joanna Doyle, Personnel Officer.

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Raporling to lhe Group Treasurer, the successful candidala will be responsibla for monlloring and managing lhe Group's exposures to foreign currency transactions and trenslalion risks, mainlaining good relationships with financial and legal advisers end supervising the Foreign Exchange deelers, eneuring thair compliance in all regulatory matters. Tha incumbent will also ba responsibla, (aa a Committee member) lor keeping the Currency Committee up-to-dete on the Group's currancy exposura position.

Successful candidates are likely lo coma from a major international corporate lreasury function and possess an excellent understanding of the finenciel markets end of lreasury end risk management instruments. Applicants must be able to demonstrate a high level of numeracy, supported by a degree and professional qualification, (ACA/ACCA/MCT) in order to meet tha challanges sel oul by this role.

A highly motivated, confidant person is needed to fill this opening, Il you feel lhat you meet lhe above criteria plaase send a curriculum vitaa, plus day and home telephona numbers to Anna Ponton, quoting reference L3712.

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GROUP FINANCIAL DIRECTOR – RETAIL

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You will report to the Monoging Director ond have responsibility for oll ospects of financial control ond secretorial duties. There will be o real opportunity to ossist in plonning the company's expansion.

There Is o preference for experience In property, but we would olso like to hear from people who have o background In o contract or project based octivity - perhops In engineering. In each cose, on accounting qualification Is essentiol. Location: Central London.

Please write in confidence, including daytime telephone number and current remuneration level, to Edward Simpson, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lone, London EC4A 3JB, quoting ref ES831 on both envelope ond letter.

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EUROPEAN GROUP AUDITORS

ITW Ltd., a subsidiary of ITW Inc., a multinational corporation is a world leader in the development and manufacture of industrial systems, consumables and engineered components.

Due to internal promotion and expansion we now seek two European Group Auditors, based in Windsor, who will report to the U.S. Director of Internal Audit. The Candidates will be responsible for planning and implementing a program of system, operational, financial and internal control reviews throughout Europe, as well as acquisition studies. The company's ambition and growth plans will ensure long term career progression prospects.

Suitable candidates should be qualified accountants with manufacturing experience. Fluency in a European language (French preferred) is required together with knowledge of European accounting procedures.

As this is a high profile role dealing with senior international management, the candidates must possess excellent communication skills. The travel content is likely to be in the region of 50% and include assignments in the UK, France, Spain, Italy, as well as other European countries.

Remuneration will include an excellent salary plus benefits and a fully expensed car. Interested applicants should write, enclosing a full C.V. and details of their current remuneration package to:-

J.A. Walton (Mrs)
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GROUP FINANCE CONTROLLER

(Director Designate)

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Energy, enthusiasm and commitment will he necessary to succeed in this stimulating and challenging environment. The successful applicant can expect full hoard memhership within a year.

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financial controller

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WESTMINSTER

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Specific responsibilities will includa an immediate review of the existing accounting systems and procedures, together with the development and implementation of a new costing system to improve profitability and monitor on-going efficiency levels.

As the senior financial executive a further and equally important aspect will be your contribution to the general business management of the organisation, both in support of tha Chief Executiva and through closa liaison with other business managers in the Centre.

Applicants must be qualified accountants with at least three years directly relevant management accounting experience at a senior level, in a small to medium size service orientated organisation. The ideal candidate would also possess a proven track record in the re-organisation of accounting systems and a good grounding in audit procedures.

Excellent communicatioo skills and the ability to lead and motivata your team of eight staff are essential attributes, as is experience in implementing e computerised booking system.

The appointment will initially be for a three year period, with the possibility of extension subject to satisfactory performance.

For further details and an application form (to be returned by 4th July 1991) please writa to Recruitment and Assessment Services (RAS), Alencon Link, Basingstoke, Hampshire RG21 1JB, or telaphooa 0256 468551 (answering service operates outsida office hours). Pleasa quote reference C92/1084.

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housing

Tunbridge Wells & District Housing Association

DIRECTOR OF FINANCE

New post for Housing Association up to £40,000 & car

Tunbridge Wells & District Housing Association is preparing to acquire Tunbridge Wells Borough Council's entire housing stock of some 5,500 dwellings following a referendum in which tenants voted in favour of the transfer. The Association has already outlined plans for progressive long term building and development, and for providing a quality service to tenants.

The Director of Finance will work closely with the Chief Executive and Committee of Management in raising finance for the transfer, finalising the business plan, and creating a strong finance department.

The Association requires a qualified accountant with a commercial background and/or Housing Associadon experience.

Please send your C.V. in confidence to;

Ian Mitchell, Chief Executive
Tunbridge Wells & District Housing Association,
Town Hall, Tunbridge Wells, Kent TN1 1RS.

Closing date: Friday, 28th June

For an informal discussion about the post and terms, please ring Ian Mitchell on 0892 26121 ext. 3183

Financial Analyst

WARNER MUSIC INTERNATIONAL

C. London c£30,000

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This is an appointment with a very high profile international organisation that should be attractive to qualified accountants in their mid 20's who are keen to acquire the kind of experience that will equip them for future senior management careers. Your experience to date may have been gained either within the profession or in an analytically based role in e company. The selection process will concentrate on identifying those who combine strong technical ehility with a set of personal qualities that must include self motivation, initiative and creativity in prohlem solving.

My client offers a comprehensive range of competitive employment conditions and in addition to salary there is an attractive bonus scheme.

Applicants of either sex should apply in confidence, to Michael Johnson on (0962) 844242 (24-hour service) Fax No. (0962) 841998 or write to Johnson Wilson & Partners Ltd, Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref: 219J.

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BUSINESS DEVELOPMENT ANALYST

The London office of a rapidly expanding international organisation requires either a Chartered Accountant, a Chartered Surveyor or an MBA experienced in undertaking feasibility studies of various types of projects and to generally assist the MD in the overall appraisal of development opportunities throughout the world.

The position will necessitate extensive travel; the successful candidate is likely to be between 35-42 years of age.

In the first instance please apply to Box A1544, Financial Times, One Southwark Bridge, London SE1 9HL enclosing a comprehensive CV, a photograph and at least two references

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INTEREXEC PLC

STAND OUT FROM THE CROWD

Financial Director

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Our client, a £35m turnover subsidiary of a medium sized publicly quoted PLC, are market leaders in their sector. They design and market a range of products used widely within the commercial sector. Business growth is planned across traditional UK markets in addition to a major European strategy already successfully established in France.

The Company wish to appoint a Financial Director to join their highly commercial board team. This key post holds full responsibility for the financial function, comprising 40 staff, and reports to the Managing Director.

The appointee will be a qualified accountant with a career developed in a product or service industry background within a commercially driven environment. Experience of line management, computer system development and a large customer base are essential.

Candidates, ideally aged mid to late 30's, should be self motivated with strong leadership and management qualities, good financial/commercial judgement and the ability to complement the highly regarded management team.

The financial rewards and career prospects are geared to attract high quality individuals with proven ability and potential.

Please write enclosing a C.V. to John Sheldrake at John Sheldrake Associates, 48 Whittlesford Road, Little Shelford, Cambridge CB2 5EW. Tel: 0223 845548. Fax: 0223 845119.

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CAMBRIDGESHIRE **£45K PACKAGE + CAR**

Finance Director

As part of a review of its operations, this highly respected and profitable £19m turnover packaging group is looking to improve internal efficiencies and to grow both organically and by acquisition.

As part of this process, the new position of Finance Director, reporting to the Managing Director, is being established. The major thrust of the position will be in ensuring that full cost and budgetary control is enhanced and that not only is appropriate and timely management information produced but that it is acted upon as appropriate as part of the senior management decision-making process.

Candidates will be 35-40, qualified accountants with a proven track record gained in an industrial environment. A sound knowledge of the introduction of computerised management information is required as is a commercial, success orientated, approach to business. You should possess excellent communication skills and be used to contributing within a senior management team. Experience of acquisitions would be an advantage, as would a knowledge of the packaging industry

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 43 Temple Row, Birmingham B2 5JT, quoting reference JE205.

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Financial Controller

Manufacturing

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Akzo is one of the largest chemical companies in the world with the headquarters in Arnhem, with 350 locations in 50 countries and more than 70,000 employees. Working at Akzo means a career with a technologically highly developed enterprise with activities in chemicals, fibres and polymers, coatings and healthcare products.

An excellent opportunity has occurred for a qualified and experienced accountant to join a manufacturing operation which is part of a major multi-national organisation.

Applicants aged 30+, preferably from within the process industry, should have at least five years post qualification experience including a number of years man-management experience and have considerable exposure to computerised accountancy systems. Working as a member of the site management team, the ability to communicate, organise and plan effectively is essential in order to win support and establish credibility.

Excellent terms and conditions of employment include fully expensed executive car, free private medical insurance, non-contributory life assurance and pension scheme.

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AKZO

Can you manage risk and fund growth?

GROUP FINANCE DIRECTOR

£38,000 – £43,000

We have doubled in size over the last five years through successful innovation combined with effective risk management. In order to sustain this growth we have decided to enhance our strategic financial management by the establishment of the post of Group Finance Director. Your main priorities will be strategic risk management and full treasury responsibility for our expanding operations.

You must be able to demonstrate:

- a successful financial management track record
- strong risk appraisal skills
- experience of negotiating loan finance
- investment and cash management skills

In return we offer an excellent remuneration package, a stimulating working environment and substantial job satisfaction.

the EALING FAMILY HOUSING ASSOCIATION GROUP

The Ealing Family Housing Association Group has combined assets of £250 million, turnover of £20 million, manages some 5,000 homes and has an annual £25 million development programme in West London.

For a detailed Information Pack and Application Form contact:

Hacas Recruitment
The HACAS Centre
20/24 Eden Grove
London N7 8ED

Closing Date: 27th June 1991 071-609 9491

The Ealing Family Housing Association Group is an Equal Opportunities employer. Applications are positively welcomed from all people regardless of their gender, ethnic origin, marital status, sexuality or disability.

FINANCE DIRECTOR

BEDFORDSHIRE £35,000 + Generous Profit Share + Car

Our client is a market leader in its specialist manufacturing sector and is continuing to enjoy a well managed phase of rapid expansion.

The Finance Director will be responsible for all financial aspects of running the business including Data Processing, Purchasing and the crucial area of inventory control. A high degree of computer literacy is essential, as is the ability to communicate effectively with non-finance professionals.

You should be a qualified accountant, a proven self starter with the ability to function in a team environment. If you have previous board level experience or feel your career to date has prepared you for such a role, this represents an opportunity to make a real contribution as part of the senior management team.

To be considered for this position, please forward a full curriculum vitae including details of your current remuneration package to the address below.

Accountancy Personnel, Greyfriars Chambers,
Greyfriars, Bedford MK40 1HJ.
0234 214614

Accountancy Personnel
Hays

Our client is a rapidly expanding international Group, with turnover in excess of £300m. Growth over the last five years has been outstanding, and it is this success, combined with the desire to further enhance the Head Office finance function, which has led to the creation of the following two high profile roles reporting to the Group Accounting Manager:

Group Management Accountant

c£30,000 + car & benefits, London

This role includes the enhancement of Head Office accounting systems, preparation and analytical review of consolidated reports and cash flows including main board reports.

You should be a qualified accountant, aged 25 to 35, with strong systems skills and a practical approach. You will have strong management accounting and consolidation experience gained in multi site and corporate environments. Ref 1664.

Group Accountant

c£28,000 + car & benefits, London

This role carries responsibility for Group related matters, financial reporting and analysis, and trouble shooting.

You will be a newly qualified accountant in your mid to late twenties. Enthusiastic and mobile, you will be self motivated because this is a role which requires a dynamic individual able to turn his (or har) hand to anything. Ref 1666.

Please reply in confidence, giving concise career and salary details and a daytime telephone number, quoting the relevant reference number, to Richard Holland or Geoffrey Rutland FCA ATII, at the address below. You may telephone for an informal discussion on 071 489 9000 or 081 677 3803 (evanings).

BDO CONSULTING

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20 Old Bailey London EC4M 7BH

APPOINTMENTS WANTED

CHARTERED ACCOUNTANT FLUENT IN JAPANESE

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Write Box A1543, Financial Times, One Southwark Bridge, London SE1 9HL

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Seeks new appointment

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- Working capital control
- Foreign exchange operations
- Money markets
- Funding/Trade Finance/Banking
- New treasury products

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HEAD OF FINANCE

Lloyd's of London Press Limited, the pre-eminent international maritime publisher, wishes to appoint an experienced "hands on" professioonal as their

HEAD OF FINANCE.

Lloyd's of London Press is a wholly-owned subsidiary of Lloyd's of London and publishes Lloyd's List, the oldest international daily newspaper, and a portfolio of legal and maritime publications, in addition to operating a database providing worldwide shipping information.

Based in our Colchester headquarters, the Head of Finance will report to the Chief Executive of the company and will be a member of the executive management team. He or she will be a qualified accountant, ACA or equivalent, in their mid-thirties to mid-forties with a minimum of five years post-qualification experience in a commercial, service-led environment. Previous knowledge of publishing, whilst not essential, would be preferable. The head of finance will attend main board meetings to make financial reports and it is intended that this should become a main board appointment subject to performance.

Liaising closely with the Divisional Accountants on the accounting of the operating subsidiaries, the head of finance will develop the financial team based at Colchester and must be capable of delivering tight financial plans/controls with group cashflow and asset management as priorities.

The Company has recently installed modern software and the head of finance will play a key role in further improving reporting systems and advising line management on day-to-day commercial matters.

The remuneration package includes an attractive salary, car, non-contributory pension and private medical health insurance.

Please reply by 24th June, 1991, enclosing full cv to:

Keith Brownlie, Personnel Director
Lloyd's of London Press Ltd
Sheepen Place, Colchester
Essex CO3 3LP

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Group Accountant

Young talented ACA for Fast-growing pan-European Group

North West **c. £25,000, car, benefits**

This leading distributor of high technology products has grown rapidly to become the largest in Europe within its specialised markets. A new role is being created to support the Group Finance Director of this quoted Plc in a broad and demanding function that is vital to the further expansion now being planned.

The Role

- Review and consolidate monthly accounts from UK and Continental subsidiaries.
- Liaise with and visit overseas businesses to improve financial controls and reporting integrity.
- Assist with legal, treasury, fiscal and statutory reporting matters Group-wide.
- Report to Group Financial Director; member of small corporate team.

The Qualifications

- Graduate ACA; age 25-30.
- Broad professional experience, possibly followed by move into industry/commerce.
- Analytical, highly-disciplined and pragmatic approach.
- Communicative and diplomatic; language skills useful.

Please apply in writing, enclosing full c.v. Ref: M499.

ASB SELECTION

Amethyst House, Spring Gardens, Manchester M2 1EA. Tel: 061-834 0618. Fax: 061-832 9123.
MANCHESTER · LIVERPOOL · LEEDS

The Financial Times proposes to publish

The Institute of Actuaries examination results

on

Friday 12 July 1991

For further information please contact

Richard Jones
on
071 407 5748

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IIR is an international service company, organising conferences and seminars providing up-to-date business information. It has a worldwide network of offices and a turnover of $150 million. It wants to recruit a Chief Financial Officer to be based in London or Europe reporting directly to the Chairman.

The company has grown rapidly over the last 5 years, particularly in Europe, the USA and the Pacific rim. The job will involve improving its financial discipline, through better accounting and controls. The Chief Financial Officer will also be responsible for internal and external audit.

Applicants should be graduate qualified accountants with an individualistic and results-orientated approach tempered by a sociable outgoing personality. You should have about 10 years post-qualification experience preferably in a multi-company, multi-currency environment. Candidates should be systems literate and have experience of their development. Candidates must enjoy, and be prepared to travel extensively and at short notice.

Applicants should send a curriculum vitae to Debra Woodbridge at:

IIR Ltd, 9th Floor, Alembic House, 93 Albert Embankment, London SE1 7TY
Fax: 071-735 8337